

KOL FINANCE POLICY MANUAL



KIDS OF LIGHT-UGANDA

FINANCE POLICY MANUAL

Kidzlight@gmail.com Tel: 0773399670, 0779208269

Pre-amble:

The Kids of –Light Uganda is committed to responsible stewardship of organizational resources. The organization will spend a reasonable percentage of its annual budget on programs in pursuance of its mission and on administrative expenses to ensure effective accounting systems, internal controls, fundraising, hiring competent staff, and other expenditures critical to professional management and the Organizational Sustainability.

The organization will not accumulate excessive operating funds but will maintain a responsible level of reserves to enable it respond to charity trends and opportunities to better serve the organization's mission.

Therefore, members of the board and staff of KOL are committed to the following ethical practices:

- Acting in the best interest of the organization rather than on the basis of personal interests or the interests of third parties.
- Practicing sound financial management and compliance with legal and regulatory requirements.
- Employing financial systems to ensure that accurate financial records are kept and that financial resources are used to further the organization's mission and charitable purposes.
- Creating and maintaining financial reports on a timely basis that accurately portray financial status and activities, provide timely internal financial statements, and explain any material variation between actual and budgeted revenues and expenses.
- Providing employees and others with a confidential means to report suspected financial impropriety or misuse of its resources.
- This Policy manual will guide the use of its assets, internal control procedures, and purchasing practices;
- Complying with laws and regulations related to fund raising; licensing; financial accountability; human resources; lobbying and political advocacy and taxation,
- Respecting the interests and intentions of its donors, volunteers, and the general public and managing them with the highest level of professionalism and integrity.
- Using solicitation and promotional materials that are accurate and truthful and identify the organization with its mission and its intended use of solicited funds accurately.
- Ensuring that contributions are used in accordance with donors' intentions and obtaining explicit consent before altering the intended use of a restricted gifts.



KEY DEFINITIONS:

- **Ethics** Values and best practices of the organization related to financial management and conduct.
- **Overall Compliance and Government Returns** –Spelt out procedures to review application of the available laws.
- **Conflict of Interest**– Acting outside the best interest of the organization’s charitable purpose.
- **Whistleblower** –An Informer who alerts the organization of the potential dangers.
- **Mandatory Vacation for Financial Staff** – Required amount of time for a staff to rest.
- Budgeting Procedures** – States who will prepare budgets for review and through what process they will be formally adopted.
- **Financial Statements** – States which reports will be produced (such as an income and expense statement and a statement of cash flows).
- **Fiscal year** – The fiscal year is the cycle of Financial Calendar of an organization.
- **Accounting Method** – Whether the organization will use a cash- or accrual-based accounting system. The cash basis of accounting records income when it is received and expenses when they are paid. An accrual-based accounting system recognizes income when it is earned or promised and expenses when they are incurred or obligated, regardless of when the cash transaction occurs.
- **Receiving Cash** –Involves checks and cash received in the mail or from a person with specified staff members who will be involved and authorized to make decisions or record information at each stage of the transaction and how backup documentation will be retained.
- **Bank Deposits** – Money to be put or depositing cash in the bank account once it has been properly recorded in the accounting system.
- **Credit Card** Credit card is designed to receive monetary Contribution online, by phone, or in person.
- **Accounts Payable** – Schedule on which money that is owed by the organization will be paid, procedures for authorization of expenditures, and requirements related to supporting documentation such as invoices and receipts.
- **Cash Disbursement** – Clarifies who has cheque writing authority, who has cheque signing authority, and who may void. Cheques should state the timeline for cheque writing and any policies, related to deviating from the regular cheque-writing schedule.
- **Authority** – Clarifies who on staff has the authority to approve and sign contracts with vendors or individuals.
- **Capitalization**– Criteria used to determine which assets should be reported as capital on financial statements and depreciated appropriately.
- **Fixed Asset Inventory** – A Record book stating how an inventory of all fixed assets will be created and maintained, including what information will be maintained and how it will be reviewed.
- **Storage of Files** – States which files and records will be kept where, and what procedures will be undertaken to ensure their security and confidentiality, such as locking file cabinets.
- **Office Security** – States security procedures that will be undertaken to ensure the safety of files and records as well as equipment and supplies.
- **Computer Security** – Specifies procedures to protect and secure electronic records, for example with passwords.
 - **Auditing**-Outlines the process for selecting an auditor, including how often the organization will rotate auditing firms.
- **Audit Review** – Outlines how the audit will be reviewed by the staff and board.

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1.0 INTRODUCTION

This Accounts and Finance Policy Manual outlines a process for organizing financial information in budgets and financial reports and states how performance will be reviewed regularly. The monthly review process ensures that all senior managers and all members of the board are fulfilling their oversight responsibilities and making sound decisions on behalf of the organization.

The Policy Manual also provides standards for financial disciplines that will be used to assess performance for accurate and transparent organizational maturity. The in-coming funds are properly recorded and safeguarded through separation of duties and proper documentation that includes: approving disbursements of cash with proper authorization, for legitimate business purposes, Payroll procedures, tax payments and reports.

The bookkeeper/accountant verifies the payments at the end of each month by analyzing the payroll service reports and the bank reconciliation statement.

1.1 Purpose:

The purpose of this Accounts and Finance Policy Manual is to apply acceptable best financial management practices in accordance with the Kids of Light-Uganda Mission and Vision.

The policy Manual is also to guide facilitation of all KOL activities aligned to its Mission and objectives in the most effective and efficient manner, to remain accountable to stakeholders, including clients, partners, funders, employees, and the community. In order to accomplish this, Kids of Light –Uganda commits to providing accurate and complete financial management guidelines for both internal and external operations.

1.2 Justification

The board and staff of the Kids of Light –Uganda are committed to ensuring the sound management of organizational assets in the interest of achieving the organization's mission.

The policies and procedures contained herein are intended to:

- Protect the assets of the KOL
- Put in place basic accounting, billing, and cash control policies and procedures
- Ensure the maintenance of accurate records of the organization's financial activities
- Create a framework for operating standards and behavioral expectations
- Ensure compliance with the organizational procedures and reporting requirements etc.

The Executive Director, working with the Project Administrator, is responsible for administering these policies and ensuring compliance.

Changes to these policies may be made by the Board of Directors at any time. A full review of the policies should be conducted every two years. Every member of the organization's management team and administrative staff is expected to be familiar with and or act in compliance with these policies.

The Kids of Light's accounting policies and procedures are intended to be consistent with Generally Accepted Accounting Principles (GAAP). If this manual conflicts with Specific State regulation or with our organizational policies that have been adopted or updated more recently, the regulations or more recent board policy shall prevail.

2.0 Authority.

2.1 Board of Directors

The Board of Directors will assume responsibility for ensuring the financial health and sound Management of the Organizational assets. However, the Signing authority of the organization Finances shall be the Executive Director (Principal Signatory) and any two that includes the board Chairman and the Project Administrator.

The board will employ management staff members who are capable of producing, analyzing, controlling, reporting, and interpreting financial information. The Management Team of the organization currently consists of the Executive Director, Project Administrator, M&E Specialist and Accountant.

The Board of Directors have the authority to execute any policies it determines to be in the best interest of the organization within the parameters of the organization's articles of incorporation, bylaws, state or any local law. The Board of Directors will approve the annual budget, and the audit reports. The board delegates Administration of the financial policies to the Executive Director, but reviews operations and activities regularly.

2.2 Responsibility

The Administration of this policy is the responsibility of the Management Team.

2.3 Filing Instructions

These current guidelines supersede all previous policies on managing KOL Finances. It is filed and occasionally reviewed by the management Staff for purposes of Compliance.

2.4 Financial Advisor

The Board Advisor on Finance has the authority to choose the audit firm, perform regular in-depth reviews of the organization's financial activity, and oversees the development of the annual budget.

2.5 Executive Director

The Executive Director has the authority to make spending decisions within the parameters of the approved budget, employ and terminate personnel, determine salary levels within the approved salary policy, make decisions regarding the duties and accountabilities of personnel and the delegation of decision-making authority, enter into and contractual agreements, and sign checks.

The Executive Director is authorized to sign checks of up to \$10,000. cheque for amounts greater than \$ 10,000 shall require the signature of the Project Administrator or Board Chair.

The Executive Director is authorized to enter into contracts for activities that have been approved by the Board as a part of budget or plans. The Board of Directors must authorize any contracts outside of these parameters and all contracts with a financial value greater than \$15,000.

The Executive Director is authorized to manage expenses within the parameters of the overall approved budget, reporting to the Finance Committee on variances and the reason for these variances. The Board of Directors must approve any use of the board designated cash reserve fund.

2.6 Responsibilities

The Executive Director shall:

- Account for donor restricted and board designated funds separately from general operating funds, and clearly define the restrictions applicable to these funds.

- Report the financial results of KOL operations according to the schedule established by the Finance Committee, but at least quarterly.
- Pay all obligations and file required reports in a timely manner.
- Make no contractual commitment for bank loans, corporate credit cards, or for real estate leases or purchases without specific approval of the Board.
- Record fixed assets with purchase prices greater than \$500 as capital assets in accounting records.
- Depreciation of capital assets will not exceed five years for furniture and equipment or seven years for computer and other technology equipment.
- Limit vendor credit accounts to prudent and necessary levels.
- Obtain competitive bids for items or services costing in excess of \$5,000 per unit. Selection will be based on cost, service, and other elements of the contract.
- KOL may award the bid to any provider and is not required to accept the lowest cost proposal.
- The Board of Directors shall:
 - Review financial reports at each board meeting.
 - Provide adequate training to members to enable each member to fulfill his or her financial oversight role.

2.7 Project Administrator

Project Administrator has whatever authority as may be designated by the Executive Director, including to make spending decisions within the parameters of the approved department or program budget subject to the approval of the Executive Director, and to sign cheques or contracts in rare circumstances when the Executive Director is not available.

2.8 Bookkeeper/Accountant

Bookkeeping and accounting services will be provided by a contracted individual who is hired and supervised by the Executive Director. This person will make bookkeeping entries, prepare checks for signature, and perform the bank reconciliation.

The bookkeeper will *not* approve expenditures or sign cheque. Finance and/or Audit Committees of the board may be established at any time as they are needed, and given proper authorities.

2.9 Segregation of Duties

The Organization is committed to sound internal controls that ensure segregation of duties to create accountability and prevent misuse of organizational assets. The most important of these include the following:

- There will be separation of financial duties and responsibilities so that no staff member has sole control over cash receipts, payroll, bank reconciliations, accounts payable or other accounting functions.
- The cheque (signatory) signer will not be the same person who approves expenditures, records bookkeeping entries, or prepares checks for signing.
- Bank statements will be reviewed by at least one person in addition to the person performing the reconciliation.
- Bank deposits will be made by someone other than the person recording receipts.
- Financial management staff will be required to take (leave) of at least five days.

2.10 Indemnity:

To the full extent permitted by applicable laws, KOL may indemnify any past, present or future Director, Officer, Employee or Agent against all costs, expenses and liabilities, including Legal fees, unnecessarily incurred by or imposed upon them in connection with or resulting from their involvement in KOL activities.

No such reimbursement or indemnity shall relate to any expense incurred or settlement made in connection with any matter arising out of their negligence or misconduct as determined either by a court of competent jurisdiction or, in the absence of such a determination by KOL acting on the advice of counsel.

KOL shall purchase and maintain insurance on behalf of any person who is or was serving at the request of the organization as a Director, Officer, or Senior Manager against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such.

3.0 BUDGET PROCESS AND FINANCIAL MANAGEMENT

3.1 Budgets

In order to ensure that planned activities minimize the risk of financial jeopardy and are consistent with board-approved priorities, long-range organization goals, and specific five-year objectives, the Executive Director shall:

Submit operating and capital budgets to the Finance Committee in time for reasonable approval by the Board prior to each fiscal year. Use responsible assumptions and projections as background with the general goal of an unrestricted surplus.

Budgets provide a standard by which to measure performance, encourage planning and allocate Resources in accordance with funding source requirements.

- Budgets should use reasonable assumptions of income and expenses. Budgets should be balanced and should lead to the accumulation of reasonable reserves which can be used to ensure cash flow over time.
- The Board should be notified when cash reserves are below 3 months regular operating expenses.
- The organization budget is prepared by the Project Administrator, in consultation with the Management Team, beginning not later than 1st July of every year.

3.1.1 Procedures

- Budgets are approved by the Executive Director prior to submission to the Board of Directors for formal adoption.
- The Executive Director will submit an annual organization budget to the Board of Directors for their approval in December. The Board will also approve a Capital budget.

3.2 Budget Revisions

From time to time, it will be necessary to deviate from the spending plans captured in organizational budgets.

- Non-budgeted expenditures that exceed \$10,000 will be recommended by the Executive Director to the Board for approval and to consider a formal revision of the approved annual budget

- Non-budgeted expenditures between \$1,000 and \$9,999 that cannot be easily accommodated by shifting expenses from another budget line should prompt a discussion within the Executive Management Team to justify the expense, how it will be financed and how other budgeted expenses may be affected. Executive Director may make the final decision.
- Non-budgeted expenditures less than \$1,000 do not require discussion if they are approved by the Executive Director or the Project Administrator.
- Within any budgeted expense category, expenditure changes that do not exceed the total budgeted amount are within the discretion of the appropriate Division Director. (For example, funds allocated to Program may be redirected for other Program purposes as long as the total line item amount is not exceeded.)
- The Project Administrator may exercise the right to express disagreement with a decision by the Executive Director and should seek to resolve such disagreements informally.

3.2.1 Procedures

- When that is not possible in consultation with the Management Team, the Project Administrator may appeal to the Board Financial Advisor when the Executive Director overrules her/his objection and the Project Administrator desires Board review of the expenditure decision.
- The Board may overturn the decision of the Executive Director within their mandated responsibility for the organization.
- Instances of actual fraud or illegal activity are also covered by the KOL Whistleblower Protection Policy.

3.3 Financial Records and Reports

The organization will employ a regular process for assessing the status of organizational finances and assets. The Board of Directors and Management Team will ensure that timely and accurate financial information is available, understood, and used to guide decision-making.

- The fiscal year for the organization will be January 1 – June 31.
- The financial records of the KOL will be maintained using the accrual basis of accounting.
- Annual budgets will be prepared by the Executive Director and the Management Team and will be approved by the Board.
- A Chart of Accounts will be used to code receipts and disbursements to the proper accounts to enable proper tracking.
- The bookkeeper will reconcile the bank statements with bookkeeping records monthly. The Financial Advisor or Executive Director will also review an original copy of the bank statement.
- At a minimum, the bookkeeper will prepare the following monthly financial reports for review by the Executive Director and Management team: Balance Sheet, Income Statement, Budget-to-Actual comparison, and Cash Flow Report.
- The Executive Director will make a monthly presentation on the above noted reports to the Financial Advisor and the Management Team.
- The Executive Director will review a report on monthly journal entries for reasonableness.
- The Board of Directors will review a budget-to-actual presentation and financial report prepared by the Executive Director and the Financial Advisor at every meeting. Any budget variances above 10% will be explained in writing.
- The Board of Directors will review the auditor's report annually.

- At least every two years, an audit or review will be conducted by an independent CPA, to be made available to members of the public.

3.4 Funds Received / Receipts

The following policies govern how funds received by the organization will be processed:

- In each office, mail is to be opened promptly and distributed by the Project Administrator or Executive Assistant.
- All cash receipts are recorded on pre-numbered receipts.
- The Project Administrator will record all receipts in the donor database.
- The Executive Director will be responsible for preparing the documentation on receipts for deposits and making weekly deposits to the bank.
- The Project Administrator will prepare the detailed cash listing to be posted to the general ledger (amount, date received, account number, etc.).
- This listing is compared to the cash journal to ensure all postings equal amounts deposited.
- A copy of the deposit slip from the Bank is compared and attached to the corresponding receipt copies and cash listing.

3.4.1 Procedures

- All cheques and cash receipts received through the mail or from a person are restrictively endorsed immediately by the Project Administrator and recorded in the cash receipts log maintained as a spreadsheet, listing the date received, pay or cheque and amount received, as well as in the fundraising database.
- The Project Administrator will restrictively endorse the back of any cheque received prior to distributing cheques to designated staff.
- The Project Administrator will make a copy of each cash receipt, and deliver all cash received and copies to the Executive Director. Cash and receipts will be stored in a locked file cabinet for deposit.
- The Executive Director shall prepare the bank deposit weekly, attaching a copy of the deposit slip and deposit receipt to the cash receipts copies, and forward the entire package to the bookkeeper/accountant.
- The Executive Director will retain a copy of each cash receipt.
- For gifts received online or by credit card, the Project Administrator will post the transaction to a third-party recipient through the organizational database.
- When the deposit is confirmed, the Executive Director will print a copy of the Confirmation to be given to the bookkeeper/accountant for entry into the journal on a weekly basis.
- The Executive Director shall code all cash receipts according to the chart of accounts.
- The bookkeeper/accountant prepares the cash receipts journal on a timely basis using the cash receipts summary sheet.
- The bookkeeper/accountant posts the cash receipts journal to the general ledger monthly.

4.5 Accounts Payable and Fund Disbursement.

The following policies govern how funds disbursed by the organization will be approved and processed:

- The Executive Director will approve expenditures within the parameters set by the annual operating budget as approved by the Board, with the exception of the Executive Director's personal expense reimbursement items, which must be approved by another person having Cheque signing authority.

The Project Administrator may approve expenditures in rare instances when the Executive Director is not available.

- The Executive Director has single signature authority up to and including \$10,000. Cheques above \$10,000 require a second signature. The Project Administrator has signing authority in rare instances when the Executive Director is not available or when a second signature is required.
- The Executive Director approves cheque requests after comparing to support documentation. The bookkeeper prints the pre-numbered cheque only with approved requests. The unsigned cheque, support and requests are presented to the authorized (signatory) (usually the Executive Director) for his/her signature. The signer compares information on cheque to support for accuracy and appropriateness.
- All disbursements, except petty cash, are made by cheque or credit card and are accompanied by substantiating documentation. Credit card statements will be reconciled to substantiate documentation monthly.
- All cheques are pre-numbered and accounted for monthly.
- Blank cheques are stored in a locked drawer.
- The bookkeeper is responsible for invoices and cheque requests being marked "PAID" once they have been signed.
- Vouchers are required for all petty cash disbursements. The petty cash fund is reconciled (beginning with less voucher amounts) before the fund is replenished. Cheques are written only after an approved cheque request has been presented.
- Blank cheques may never be signed in advance.
- Electronic banking allows wire transfers, electronic transfers, stop payments on cheques, and account balance inquiries to be initiated and completed via computer or telephone. Wire transfers, electronic transfers and stop payments cannot be set up and approved by the same person. The Executive Director may approve a transaction that is to be completed by the bookkeeper/accountant.
- When a wire transfer, electronic transfer, or stop payment has been set up by the Accounting staff, the documentation supporting the transaction is given to the Executive Director for verification and approval before the transaction is initiated.

4.5 .1 Procedures

- All invoices received are stamped with the date received by the Executive Director and placed in the unpaid open invoice file.
- The Executive Director approves all invoices and expenditures and prepares cheque requests weekly.
- Cheque requests and support documentation are delivered to the bookkeeper/accountant for cheque writing weekly.
- The bookkeeper/accountant immediately records all disbursements in the accounts payable ledger.
- The bookkeeper prepares all cheque for the approved expenditures, using pre-numbered checks.

- The cheques with support documentation (approved invoices, cheque requests), are forwarded to the Executive Director. The Executive Director reviews all cheques and supporting documentation prior to signing cheques. Any cheque for amounts over \$10,000 needs a second signature.

The Executive Director will be responsible for obtaining the second signature from an authorized signer.(signatory)

- After the cheques are signed, the Executive Assistant stamps the cheque request and all supporting documentation “PAID”, noting cheque number and date. The Executive Assistant (Project Administrator) will then make a copy of each cheque and cheque request. The cheque copies and supporting documentation is then submitted to the Executive Director. The Executive Assistant is responsible for mailing all cheques.
- The Executive Director will file a copy of the cheque with supporting documentation attached in numerical order.
- The bookkeeper/accountant prepares the cash disbursements journal on a timely basis, using the cheque file.
- The bookkeeper/accountant posts the cash disbursements journal to the general ledger on a timely basis, using the cash disbursements journal.
- The bookkeeper/accountant reconciles the accounts payable ledger to the general ledger on a monthly basis.

5.6 Petty Cash Fund

The following policies govern how the Petty Cash Fund is managed:

- The Petty Cash Fund is maintained on an impress basis which means that the amount spent will be reimbursed.
- The Project Administrator will act as a custodian of the petty cash fund.
- The purpose of the Petty Cash Fund is to facilitate small purchases or reimbursements needed in the day-to-day operations of the organization without going through the cheque writing process, or to provide change for an event requiring cash transactions.
- Petty cash disbursements are limited to \$500 in amount.
- Any advances to employees from the petty cash fund must be authorized by the Executive Director.

5.6.1 Procedures

- Any employee receiving petty cash must sign a petty cash voucher. The petty cash voucher must list the amount received, the purpose for which the cash is needed and the date of the purchase. In addition, receipts for goods/services purchased must be attached to the petty cash voucher.
- The Executive Director must submit a cheque request for reimbursement of the petty cash fund to the bookkeeper/accountant.

All petty cash vouchers used must be attached to the cheque request as supporting documentation.

- All cheque for reimbursement of the petty cash fund must be made payable to the custodian of the petty cash fund.
- Periodically, the Executive Director and/or the Project Administrator will make surprise counts of the petty cash funds.
- The petty cash fund will be kept in a locked file cabinet.

5.7 Payroll

The following policies govern how payment of all employees is processed:

- Personnel files is maintained at organizations' Alebtong office for all employees in a locked file cabinet. Access is limited to the Executive Director and may be accessed by an employee's supervisor upon request.
- Personnel files will include at minimum: employment application/resume, dates of employment, letter of hire, job description, salary and salary changes, authorization of payroll deductions, withholding information, employment eligibility form, performance reviews and/or disciplinary action, and termination data when applicable.
- Changes in payroll data will be approved by the Executive Director before files are updated.
- Payroll will be processed twice per month.
- The Executive Director will notify the payroll service designers of any changes to the payroll master file.
- The payroll service firm will generate the payroll register, payroll cheques and tax deposit cheques and sends them to the organization.
- The Executive Director reviews the payroll register for proper processing of amounts.
- The payroll and tax deposit cheques are sent directly to the Executive Director who is responsible for comparing the cheques to the payroll register before manually signing the cheques (unless using direct deposit).

5.7.1 Procedures

- All personnel salaries/wage rates are authorized by the Executive Director and/or the Board of Directors.
- The Executive Director maintains all personnel records.
- The executive Director monitors the usage of vacation and sick time and maintains the attendance records.
- Each supervisor reviews and approves all time and attendance records for their employees. The approved time records are submitted to the Executive Director for review.
- The Executive Director shall prepare the payroll using the approved time records and salary/wage rates for each employee and transmit to the payroll service after approval by the Executive Director. Payroll data is maintained online and transmitted to the payroll service for processing.
- Payroll is recorded in the bookkeeping system by the bookkeeper/accountant.
- An electronic transfer of funds to cover payroll is made to the payroll service by KOL's bank at the request of the payroll service.
- The payroll service prepares cheques to vendors for employee deductions such as contributions to accounts garnishments and donations.
- Pay cheques are directly deposited to the employees' bank accounts. Employees receive duplicate vouchers that detail all deductions.
- All payroll taxes are paid when due by the payroll service.
- The bookkeeper/accountant verifies the payments at the end of each month by analyzing the payroll service reports and the bank reconciliation statement.

5.8 Purchasing

The following policies govern how purchasing decisions are made:

- Only the Executive Director is authorized to make purchasing decisions for regular supplies and large equipment, including furniture, computers, and software.
- Bids should be sought for goods and services exceeding \$1,000.

- Some form of cost or price analysis shall be made in connection with every procurement action.
- Price should be one of the factors in the evaluation of responses, but the organization is not required to take the lowest price if other factors are important to the decision. Environmental and sustainability factors should also be considered.

4.0 MANAGING TRANSACTIONS

4.1 Organizational Credit Cards

Kids of Light –Uganda authorizes credit cards for the purpose of facilitating online and business purchases, including business travel that is not easily handled through normal disbursement processing. The use of organizational credit cards creates the opportunity for expenditures to be made without prior approval. The following policies govern how these transactions are handled:

- Due to the potential for theft, misuse and auditing problems, use of credit cards is monitored carefully. Only the Executive Director and the project Administrator will be issued an organizational credit card. Other staff may request that purchases be made for business purposes on their behalf using one of these cards.
- In every instance of credit card usage, the individual using the card will be held personally responsible in the event that the charge is deemed personal or unauthorized.
- All credit card purchases above \$50 must be reconciled and attached to supporting documentation on a monthly basis.
- The Executive Director will both review all credit card purchases monthly and must approve all payments.
- The bookkeeper/accountant will enter all credit card transactions into the accounting software monthly.
- Misuse of credit cards or failure to follow these procedures will lead to restrictions or loss of credit card privileges.
- The Executive Director must be notified immediately if a card is lost or stolen.

4.2 Vendor and Contractual Agreements and Leases

The following policies govern how decisions to enter into agreements with vendors or contractors or leases are conducted:

- Only the Executive Director or Project administrator may sign a contractual or vendor agreement or lease.
- The Executive Director will maintain a secure file of all vendors, contract, and lease agreements according to the document retention policy.
- All vendors must submit an investigative Form Request for Tax Payer Identification and Certification or its equivalent prior to payment.
- A determination is made by the bookkeeper/accountant on the need to file an annual investigation Form, on payments made to vendors.

4.3 Financial Transactions with Insiders

Advances of funds to employees, officers, or directors are authorized by the ED. Direct and necessary expenses including travel for meetings and other activities related to carrying out responsibilities to be reimbursed.

In no case shall KOL borrow funds from any employee, officer, or director of the organization without specific authorization from the Board of Directors.

4.4 Gift Acceptance.

The following policies govern how gifts are controlled:

- KOL solicits and accepts gifts that are consistent with its mission.
- Donations will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, Churches or other entities, with reputable and prudent public recognition.
- In the course of its regular fundraising activities, KOL will accept donations of cash, marketable securities, bequests, grants and in-kind services.
- Certain types of gifts must be reviewed prior to acceptance due to the special liabilities they may pose. Examples of gifts that may be subject to review include gifts of real property, gifts of personal property, and gifts of securities.
- All decisions to solicit and/or accept potentially controversial gifts will be made by the Executive Committee of the Board in consultation with the Executive Director. The primary consideration will be the impact of the gift on the organization.
- KOL will not accept gifts that (a) would result in violating its corporate charter, (b) would result in losing its status as a not-for-profit organization, (c) are too difficult or too expensive to administer in relation to their value, (d) would result in any unacceptable consequences, or (e) are for purposes outside KOLs Vision and mission.

5.0 PROPERTY AND EQUIPMENT

5.1 Fixed and Capital Assets and Depreciation

The following policies govern how fixed and capital assets are treated:

- Kids of Light-Uganda has established a capitalization threshold of \$ 500 for property expected to benefit the operations of the organization for multiple years to be considered a fixed asset.
- Property purchased meeting the fixed asset definition is tagged with a pre-numbered asset tag noting KOL and added to the list of assets maintained by the Executive Director.
- This inventory list will include the description, serial numbers, asset number, date of purchase or receipt, date of installation, cost including taxes, and life expectancy for depreciation purposes. A copy of the invoice(s) should be maintained with these asset records until asset is sold or deleted.
- The purpose of depreciation is to recognize the decreased value of the property over time (useful life) and to quantify this usage as an expense to each year deriving benefit from its use.
- Fixed assets are depreciated according to the KOL depreciation Policy. The Depreciation Policy sets the useful life of property types.
- Depreciation Schedules are prepared for the full fiscal year utilizing the guidelines of the Depreciation Policy.
- As depreciable property is purchased, it is added to the depreciation schedule in the month following purchase/installation.
- A recurring journal entry is set up for posting each month, charging the depreciation expense to the appropriate program(s).

5.2 Security and Computer Controls

The following policies govern the security procedures that are taken to ensure the safety of Physical and Electronic records:

- The bookkeeper is responsible for inputting the financial data into the computer and bookkeeping software for generating financial reports. Only the bookkeeper will have access to the password when required to make changes on the system.

The Executive Director may have access to review or print information from the system, without making changes.

- Batch totals are calculated prior to input and compared to batch totals calculated by the system. Any errors made during the inputting of information will be corrected.
- Detailed printouts of cash receipts and cash disbursements are to be obtained.
- All subsidiary account balances are reconciled to the control accounts monthly.
- A trial balance on the general ledger totals should be obtained and compared to detailed reports for accuracy of balances.
- Access to computer or on-line systems for accounting, personnel, payroll, and online and phone banking is controlled by the Project Administrator. Within each system, access permission is set to allow the appropriate level of access depending on staff positions and job duties.
- The bookkeeper will perform a backup of electronic records on a weekly basis to ensure that data is secure and will not be lost in the event of a computer failure.
- All organizational offices will be kept locked when not in use. Only staff members will have office keys.
- All confidential and financial information will be kept in locked files, including personnel files, financial records, invoices or expenses to be paid, cash or gifts to be deposited, fixed asset listings, and petty cash funds.

5.3 Cell Phone Expense Reimbursement.

- The organization will reimburse all staff a flat \$40 per month toward the cost of plan minutes.

5.3.1 Minutes

- For staff who have a prepaid phone plan rather than a monthly contract, the organization will reimburse for actual work minutes used, up to an agreed upon amount to be determined at the time the phone is purchased.
- The organization will not reimburse for expenses incurred by using minutes over plan allowances. In extreme cases, staff may seek prior approval from the Executive Director if the coverage is likely.
- For staff members whose workflow is significantly shaped by external demands (e.g. Field work and Home visits etc.), the organization will reimburse up to \$30 per month for data service.

5.3.2 Data

- Staff currently falling into this category are the Executive Director, Project Administrator and The Field staff.
- The organization will reimburse 70% of the cost of new phone purchase one time every 3 years.

5.3.3 Equipment and Supplies

- Staff shall be responsible for other expenses.
- All staff with a monthly phone plan shall provide one copy of a cell phone bill or agreement to be held on file by the Executive Director.

5.3.4 Documentation and Reimbursement

- Staff are expected to submit cell phone reimbursement requests monthly on regular expense reimbursement forms.

- For staff that are only reimbursed for minutes (\$40), documentation is not required on a monthly basis (per existing policy only requiring receipts for purchases over \$50).
- For staff that are reimbursed for minutes and data (\$70), the original monthly statement must accompany reimbursement requests.

5.4 Substantiating Documentation / Receipts Process

Reminders will be sent on the first of every month to submit expenses from the previous month. Employees should submit expenses not later than 1-month from the date of the expense. Notify the Executive Director immediately if there are large expenses that are more than 1 month old that have not been submitted.

Employees are responsible for collecting receipts for all expenses and credit card charges throughout the month in a file. When preparing monthly expense reports, collected receipts should be used to complete cheque request/expense reimbursement form.

Once the cheque request form is complete, employees will always **email** cheque request/expense Reimbursement form (and mileage form, if applicable) to the Executive Director. Expenses / receipts over \$50 Employees must submit original receipts for expenses over \$50.

Original receipts for all expenses over \$50 should be attached 8.5x11 paper and stapled to a print-out of the cheque request/expense reimbursement form.

A copy should be made and retained by the employee.

A hard copy of the cheque request/expense reimbursement form with the original receipts attached should be submitted by mail or in person to the Managing Director. Expenses / receipts under \$50 Receipts are not required for expenses below \$50. Originals should be retained by employees in a file, attached to a copy of the cheque request/expense reimbursement form.

Expense reimbursement requests with no expenses above \$50 may be submitted electronically.

6.0 CHECKS AND BALANCES

6.1 External Audit

- Kids of Light-Uganda will have an audit or review prepared by an external CPA firm on an annual basis.
- The selected auditing firm will not be used for non-auditing services except tax form preparation.
- Every two years, a Request for Proposal will be sent to audit firms qualified to provide the type of audit that meets KOL and/or funder need.
- The Executive Director is responsible for soliciting bids, interviewing firms and making the recommendation to the Board Finance Advisor and Board of Directors when selecting the firm to be awarded the audit contract. Acceptance of the audit contract will be evidenced by a signed audit engagement letter.
- The audit is reviewed in detail by the Financial Advisor, but presented to the board by the auditor and accepted by the Board of Directors based upon recommendation by the Finance Advisor.
- An external CPA firm or individual will prepare the organization's annual audit Form for submission to Board to ensure accuracy.
- The Executive Director and the Financial Advisor will oversee preparation of the form, with the Bookkeeper/accountant.
- The Board will review and approve the form before submission to the bidding firm.

6.1.1 Internal Audit: This shall be done annually with the guidance of the Finance Advisor in the Board. The audit Committee shall comprise of the Executive Director, Project Administrator, Accountant and the Financial Advisor. Review will be presented to the board by the Finance Advisor.

6.2 Risk Management

- KOL will insure those risks which the Board deems appropriate using an insurance professional who is knowledgeable about the market, who understands or is willing to learn about KOL's operations, an assertive advocate for KOL interests, and is organized and responsive to KOL's needs.
- The Executive Director will approve purchase of insurance policies as directed by the Board.
- The board will review insurance policies and needs annually in December.

6.3 Employee Expense Reimbursement.

Due to budget considerations, the KOL cannot reimburse all business-related expenses as defined or allowed under the Uganda's Constitution. Employees are encouraged to track their un-reimbursed employee business expenses in the event that they may be itemized on individual tax.

KOL will reimburse mileage at a rate of \$.25/mile. Employees should make an effort to carpool with other employees, volunteers, or allies whenever practicable to minimize mileage expenses. Mileage is reimbursed for legitimate business-related travel by personal vehicle, excluding travel between home and office.

All mileage expenses should be calculated from your office location in Alebtong and not from your home, even if you left from your home for the trip, unless the distance you traveled from your home is actually less than the distance from your office in which case you would use the actual miles traveled.

6.3.1 Overnight Accommodations

Some employees' job descriptions require occasional overnight travel and a few require frequent travel. For occasional travelers, accommodations should be sought with colleagues, allies, or friends to reduce costs for hotels, particularly for in-state travel. Employees must seek prior approval from their supervisor before scheduling any overnight travel that requires paid accommodations.

For frequent travelers, or when paid accommodations have been approved in advance, employees should generally select a low or average cost hotel. Meals For *out-of-state* travel, employees may reimburse for actual meal expenses with receipts, up to a daily maximum not to exceed 80% of the KOL per diem rate for the location.

Employees will not be reimbursed for meals while traveling *in-state* on trips that do not involve an overnight, except in rare circumstances with prior approval. For *overnight* travel in-state when bringing a meal would not be practical, employees may reimburse according to the per diem same rates indicated above out-of-state travel.

For partial travel days when it becomes necessary to determine the reimbursement amount for Individual meals (from the per diem rate), the following calculations should be used, rounded to the nearest dollar:

- The breakfast portion is 20% of the set daily per diem.

- The lunch portion is 24% of the set daily per diem.
- The dinner portion is 51% of the set daily per diem.

Employees are not to pay for meals for volunteers or donors, except when unavoidable or with prior approval of employee supervisor or the Executive Director.

7.0 Asset Protection

7.1 Safeguarding Assets

The following policies will ensure the security of organizational resources:

- The Executive Director shall have primary responsibility for ensuring that proper Financial Management procedures are maintained and that the policies of the Board are carried out.
- The Board of Directors will provide fiscal oversight in the safeguarding of the organizational assets and shall have primary responsibilities for ensuring that all internal and external financial reports fairly present its financial condition.
- A proper filing system will be maintained for all financial records.
- Actual income and expenditures will be compared to the budget on a monthly basis.
- All funds will be kept at the KOL Savings Bank.
- All excess cash will be kept in an interest bearing account.
- No bank account should contain more than the insured amount.
- Bank statements will promptly be reconciled on a monthly basis by the Bookkeeper/accountant.
- The board of directors shall approve annually any new signers for each bank account and the new necessary bank accounts.
- The Executive Director is responsible for promptly notifying financial institutions of any changes to authorized signers on organizational accounts.
- Documents on all fixed assets will be kept in a locked file.
- Appropriate insurance for all assets will be maintained.

7.1.1 Procedures

- On a monthly basis, the bookkeeper/accountant will reconcile the bank statements to the general ledger and notify the Executive Director of any discrepancies.
- The Executive Director will resolve all discrepancies with the assistance of the bookkeeper/accountant and the bank if necessary.
- Independently, the Executive Director or Financial Advisor will receive a copy of the monthly bank statement for review of reasonableness.

On the other hand to ensure that the assets of KOL are adequately protected and maintained, the Executive Director shall:

- Insure against theft and casualty losses to the organization and against liability losses to Board members, staff, or the organization itself to levels indicated in consultation with suitable professional resources.
- Plan and carry out suitable protection and maintenance of property, building, and equipment.
- Avoid actions that would expose the organization, its board, or its staff to claims of liability.
- Protect intellectual property, information, and files from unauthorized access, tampering, loss, or significant damage.

- Receive, process, and disburse funds under controls that are sufficient to maintain basic segregation of duties to protect bank accounts, income receipts and Payment

8.0 DOCUMENT RETENTION & DESTRUCTION

Kids of Light –Uganda takes seriously its obligations to preserve information relating to litigation, audits, and investigations. From time to time, the Executive Director may issue a notice, known as a “legal hold,” suspending the destruction of records due to pending, threatened, or otherwise reasonably foreseeable litigation, audits, government investigations, or similar proceedings.

No records specified in any legal hold may be destroyed even if the scheduled destruction date has passed, until the legal hold is withdrawn in writing by the Executive Director.

8.1. Electronic Documents and Records.

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files that fall into one of the document types on the above schedule will be maintained

for the appropriate amount of time. If a user has sufficient reason to keep an e-mail message, the message should be printed in hard copy and kept in the appropriate file or moved to an “archive” computer file folder. Backup and recovery methods will be tested on a regular basis.

8.2. Emergency Planning

Kids of Light-Uganda’s records will be stored in a safe, secure, and accessible manner. Documents and financial files that are essential to keeping KOL operating in an emergency will be duplicated or backed up at least every week and maintained off-site.

8.3. Document Destruction

The Executive Director is responsible for the ongoing process of identifying its records which have met the required retention period and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

Document destruction will be suspended immediately upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon

conclusion of the investigation.

Filed Information that has lasted for over 15 years may be destroyed on orders of the Executive Director.

8.4. Compliance

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against KOL and its employees and possible disciplinary action against responsible individuals. The Executive Director and Board Chair will periodically review these procedures with legal counsel to ensure that they are in compliance with new or revised regulations.

9.0 EXECUTIVE COMPENSATION

9.1 Purpose

1. To assure that KOL is able to retain high quality executive leadership by providing reasonable compensation.
2. To assure that decisions regarding executive compensation are made through a process free of potential conflicts of interest.

9.2 Persons whose compensation is subject to this policy

The Executive Director's compensation shall be reviewed under this policy.

9.2.1 Process

9.2.1.1 Executive Committee

The Executive Committee of the board is authorized to make recommendations to the Board regarding executive compensation. The Executive Committee shall make this determination at least every 2 years.

Only those members of the Executive Committee who are free of conflicts of interest may be involved in evaluation of executive compensation. Neither the Executive Director nor his/her subordinates shall be involved in the decision regarding compensation.

The Executive Committee will rely upon the KOL's Salary Policy for guidance in determining compensation. That policy shall include consideration of appropriate data regarding market comparability, including the most recently available survey of non-profit salary rates in main or similar data. The Executive Committee will contemporaneously place comparability data and other reasons for its recommendation in the minutes.

9.2.1.2 Final Board Action

The full Board will give final approval. Only those directors who are free of conflicts of interest may vote on executive compensation.

9.2.1.3 Documentation

All deliberations and decisions of the Executive Committee and the full Board shall be documented and preserved. The basis for the final determination of compensation will be documented not later than the next meeting of the Board, and it shall include (1) the terms of the compensation and date approved, (2) members of the Board who were present during debate and those who voted, (3) the comparability data that was relied upon by the Board, and (4) any actions by a member of the Board having a conflict of interest.

10.0 Salary Policy and Schedule

10.1 Principles

- To be fair and equitable, positions of comparable level of responsibility should be assigned to the same salary range
- Wages should reward both relevant experience and level of responsibility, rising as either of those factors increase.
- Salary rates should be highly competitive within the non-profit sector for similar size organizations.
- The process for determining salaries and rate increases should be transparent and based on objective criteria.

10.2 Policy

1. PROCESS. The salary policy will be applied by the Executive Director for all existing and new employees (and by the Board for the Executive Director). All salary allocations and increases must be consistent with budget and available funding. The timing of salary adjustments will be at the discretion of the Executive Director except that for new employees the salary rate will be determined when a job offer is agreed upon and the Experience rate increase will occur on the annual anniversary date of employment with the Center. Salary determinations will be made in order according to the following sequence of steps.

2. MINIMUM.

No employee will be paid less than the minimum salary rate specified for the job category associated with their position. Any current salaries below that rate shall first be raised to the minimum rate.

3. EXPERIENCE.

Salary rates shall be adjusted annually to account for experience. Upon initial application of this policy, the experience adjustment will be made by increasing the minimum salary rate for the applicable job category by \$30 (annual) for each year equal to the difference between the total number of years of directly relevant work experience (and time spent acquiring a relevant advanced degree) minus the minimum years of experience required for that position. Any current salaries below that rate will be raised to that rate with years of experience rounded down through the most recent annual anniversary date of employment with the Center, which also establishes the baseline for salary offers to new employees. The same rate increase in (\$30 annually will be applied to annual experience increases.

4. MARKET.

The Executive Director may further adjust upward an individual salary rate to account for market rate differences with other comparable positions as documented in the most recently available survey of nonprofit salary rates in other organizations or based on similar data. For new employees, the Executive Director may also consider prior salary history or counter-offers by other potential employers in determining a market-based adjustment in starting salary while maintaining relative parity with existing staff salaries.

5. ANNUAL RAISE.

The Executive Director shall increase annual salary rates for all employees by an equal percentage amount above current salaries after making any applicable adjustments above unless such increase is suspended due to financial conditions. All employees whose work performance is satisfactory or better shall qualify for an annual raise.

6. BONUS.

The Executive Director may award one-time salary bonuses for exceptional performance above and beyond expectations. Where practicable, any bonus should be awarded to all members of a team on the basis of team performance.

7. CHANGE. This policy may be periodically revised by the Executive Director to reflect changes in market conditions, job categories or other relevant factors after providing a reasonable opportunity for staff input.

8. ADVANCES. Employees with financial hardship, or whose pay cheque would be issued during a scheduled vacation, can occasionally request an advance on their pay Cheque. The employee is eligible to request an advance equal only to the actual number of days worked in the current pay period. Payroll advances are limited to two times per year. Forms are available with ED.