Clean Water HELP

Financial Policies

These financial policies aim to ensure responsible, transparent, and sustainable financial management within Clean Water Help (CWH). The policies set out the principles for safeguarding CWH's financial resources, ensuring compliance with applicable regulations, and maintaining accountability to stakeholders, donors, and the public.

1. **Financial Oversight and Governance Policy:** CWH will maintain a robust system of financial oversight and governance to ensure all financial activities are conducted with integrity and in compliance with legal requirements.
    - Board of Directors (BoD):
        - Approves and oversees the annual budget, project budgets, and the overall financial health of CWH.
        - Appoints a finance committee when deemed necessary, by majority vote.
        - Requires an external audit when deemed necessary, by majority vote.
    - Finance Committee:
        - Reviews financial statements, oversees the external audit process, and ensures adherence to accounting standards and internal controls.
    - Executive Director:
        - Provides regular financial reports to the BoD, including, but not limited to: balance sheet, income statement, and comparison of actual finances compared to budget projections.
        - Pays smaller CWH expenses (< $1,000) out of pocket and is reimbursed by CWH by submitting a monthly expense claim.
        - Provides an annual operating budget for approval by the BoD, which shall be approved or amended by majority vote.
        - Shall operate within the annual budget approved by the BoD. Any material deviation from the approved budget requires prior BoD approval.
        - Shall provide an itemized budget for each project expense for approval by the BoD.
        - Must provide an expense report to BoD before being reimbursed.
    - Bank Account:
        - All transfers out of the checking account must be authorized by a majority vote of the BoD.
    - Paypal and GoFundMe Accounts:
        - Both PayPal and GoFundMe accounts are only used to collect donations and to transfer donations to the checking account. Withdrawal of any amount from these accounts for any other reason must be approved by the BoD by unanimous vote. Any withdrawals from these accounts that are not approved by a unanimous BoD decision will be considered fraudulent.

2 **Budgeting and Financial Planning Policy:** A comprehensive annual budget is developed, approved by the BoD, and used to guide CWH's financial activities.
- Budget Preparation:
  - The Executive Director, in consultation with the Treasurer, prepares a proposed budget for the upcoming fiscal year, including revenue projections, anticipated program expenses, and administrative costs.
- BoD Approval:
  - The BoD reviews and approves the budget prior to the start of the fiscal year.
  - The BoD may amend the budget, as necessary.
- Budget Monitoring:
  - All Directors and the Executive Director have access to view the CWH bank account.
  - The Finance Committee regularly monitors expenses and revenues against the approved budget, providing quarterly reports to the BoD. Any variances are flagged and reported, and either the budget is amended or corrective action is assigned.

3 **Revenue and Fundraising Policy:** CWH strives to diversify its revenue sources to ensure long-term sustainability and reduce dependency on any single funding stream.
- Fundraising:
  - All fundraising activities must comply with applicable laws and ethical standards. Fundraising efforts are transparent, with clear communication to donors on how their funds are used.
- Grant Management:
  - Grants are applied for, managed, and reported in compliance with donor requirements and applicable regulations.
- Restricted vs. Unrestricted Funds:
  - CWH distinguishes between restricted funds (donations designated for specific programs or projects) and unrestricted funds (donations that can be used for general operations). Restricted funds shall only be used for their designated purpose.
- Receipts and Acknowledgments:
  - CWH issues receipts for all donations of $250 or more or when requested by donors and provides appropriate acknowledgment to donors, in accordance with US Internal Revenue Service (IRS) regulations and other relevant laws.

4 **Accounting and Financial Reporting Policy:** CWH maintains accurate and up-to-date financial records in compliance with Generally Accepted Accounting Principles and applicable non-profit accounting standards.
- Accounting System:
  - CWH uses an accounting software system to track all financial transactions, ensuring that records are accurate and accessible. CWH maintains accounting records using accrual accounting methods, where revenue and expenses are recognized when earned or incurred, regardless of when cash is received or paid..
- Annual Financial Statements:
  - CWH prepares a set of annual financial statements (including the balance sheet, income statement, and cash flow statement) that is reviewed by the BoD.

- <u>Financial Records Retention:</u> All financial records, including invoices, receipts, payroll records, and tax filings, are retained for at least seven years. These records are stored securely, with access limited to authorized personnel only.
  - The Executive Director shall ensure that all financial records, accounts, and supporting documentation are readily accessible to the BoD, particularly the Treasurer and the President, at all reasonable times.

5 **Internal Controls Policy:** CWH maintains internal controls to safeguard its financial assets, prevent fraud, and ensure financial integrity, consistent with these policies.
- <u>Documentation</u>
  - All financial transactions shall be properly documented with supporting invoices, receipts, and approvals.
- <u>Bank Accounts:</u>
  - All CWH funds shall be held in bank accounts solely in the name of Clean Water Help. The Executive Director shall not co-mingle personal funds with CWH funds.
  - CWH will maintain one or more bank accounts in its name. Only authorized individuals (typically the Executive Director and Treasurer) will have access to the accounts. Bank account details and access should be reviewed periodically by the Board.
- <u>Segregation of Duties:</u>
  - No single individual is responsible for both authorizing and processing financial transactions that exceed $3,000. Different personnel handle authorizations, recording, and reconciliation tasks.
- <u>Approval Processes:</u>
  - All financial transactions, including payments, reimbursements, and budget reallocations, require majority BoD approval before they are executed.
- <u>Cash Handling:</u>
  - CWH minimizes cash transactions and ensures that any cash handling is supervised and documented.
- <u>Reconciliation:</u>
  - Bank reconciliations are performed monthly, and any discrepancies are promptly investigated and resolved.
- <u>Financial Reviews:</u>
  - Financial activities and controls are reviewed to identify weaknesses and address risks.
  - The BoD shall determine, at least annually, whether to engage an independent certified public accountant to conduct an audit or review engagement of CHW's financial statements, in accordance with applicable legal requirements and best practices for nonprofits of similar size and complexity.
- <u>External Audit:</u>
  - An independent external auditor reviews CWH's financial statements at the discretion of the BoD. The audit report is presented to the BoD and made available to stakeholders.
- <u>Whistleblower Policy</u>
  - CWH shall maintain and communicate a clear whistleblower policy to encourage reporting of any suspected financial improprieties without fear of retaliation.

6 **Expenditures and Expense Reimbursement Policy:** All CWH expenditures shall be aligned with the mission and goals of CWH and must be necessary and reasonable.

- Purchasing and Procurement:
  - All purchases above $5,000 require at least two competitive quotes or bids, unless the item is specialized or otherwise non-competitive.
- Expense Reimbursement:
  - Employees and volunteers may be reimbursed for pre-approved out-of-pocket expenses incurred for CWH's activities. Reimbursement requests must be accompanied by receipts and approved by the supervisor.
- Travel Expenses:
  - Travel expenses are reimbursed in accordance with CWH's travel policy, which includes guidelines on airfare, accommodations, meals, and other incidentals. Employees and volunteers are expected to use the most cost-effective options available.

7 **Asset Management and Investments Policy:** CWH maintains a responsible approach to managing its physical assets and any investments to ensure that assets are used effectively to achieve CWH's mission.

- Asset Tracking:
  - All CWH assets, including property, equipment, and vehicles, are inventorized, tracked, and periodically evaluated for need and condition.
- Cash Handling:
  - Any cash on hand should be deposited into CWH's bank account within 48 hours.
- Credit Card Use:
  - Any credit cards must be approved by the BoD. All charges are pre-approved, and detailed receipts are maintained. The Treasurer monitors credit card use by reviewing monthly statements.
- Investment Policy:
  - If CWH holds investments, these are managed in accordance with a formal investment policy. Investments should be low-risk, socially responsible, and aligned with the mission of CWH.
- Depreciation:
  - Depreciation is applied to long-term assets as per accounting standards to reflect the decline in value over time.

8 **Compliance and Legal Obligations Policy:** CWH complies with all federal, state, and local laws and regulations relating to tax-exempt status, fundraising, reporting, and other relevant matters.

- IRS Compliance and Tax Documents:
  - The BoD shall review and approve of the annual IRS tax submission, including, but not limited to form 990 before the Executive Director or an authorized representative of CHW submits to the IRS.
  - CWH files IRS Form 990 annually, providing an overview of its financial activities and operations. This report is made available to the public.
- Tax-Exempt Status:
  - CWH maintains its tax-exempt status and complies with all rules and regulations established by the IRS for non-profit entities.

- <u>Licenses and Permits:</u>
  - CWH ensures that it maintains any necessary licenses, permits, or certifications required to operate legally.

9 **Risk Management and Insurance Policy:** CWH will take steps to manage financial risks and safeguard its assets through appropriate insurance coverage and risk management practices.
- <u>Insurance:</u>
  - CWH maintains general liability and directors and officers insurance to protect against potential risks and liabilities.
- <u>Risk Assessment:</u>
  - CWH regularly assesses financial and operational risks and develops strategies to mitigate them, including reviewing its insurance coverage.

10 **Financial Transparency and Reporting to Stakeholders Policy:** CWH ensures transparency in its financial dealings, providing clear annual financial updates to stakeholders, including donors, staff, volunteers, and the general public.
- <u>Public Disclosure:</u>
  - CWH provides access to its audited financial statements, IRS Form 990, and annual reports on its website and upon request.
- <u>Stakeholder Communication:</u>
  - CWH informs donors and other stakeholders about the use of funds, including how donations have contributed to CWH's mission.

11 **Financial Reserve Policy:** CWH will manage accumulated surplus funds to ensure the financial stability of its mission, priorities, and capacity.
- <u>Operating Reserve:</u>
  - To protect against significant cash flow shortfalls and to fund short-term project needs, CWH strives to maintain up to six months of operating expenses reserve funds.
- <u>Surplus Cash:</u>
  - Surplus cash greater than the Operating Reserve shall be identified and may be invested for better return until needed for use in projects.
- <u>Investments:</u>
  - Surplus cash shall be invested with the following objectives (in order of most important first): liquidity, preservation of principal, consistent returns, appreciation/growth, and protection against inflation.