

# FINANCIAL MANAGEMENT AND POLICIES PROCEDURE

## **1. GENERAL PURPOSE**

The purpose of these policies is to establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of Al Furqaan Foundation, and managing the foundations funds.

## **2. FINANCIAL RESPONSIBILITIES**

The responsibility to formulate financial policies and review operations and activities on a periodic basis lies with the Board of Directors. The Board has delegated this oversight responsibility to the Treasurer of the Board. This responsibility is shared through delegation with the foundation's Executive Director.

The foundation's Executive Director acts as the primary fiscal agent, implementing all financial policies and procedures. The Executive Director, is responsible for the coordination of the following: Annual budget presentation, management of the Endowment and other fund investments, and approving revenue and expenditure objectives in accordance with the Board approved long-term plans.

The Head of Finance with oversight by Executive Director has the day-to-day operations responsibility for managing foundation's funds, ensuring the accuracy of the accounting records, internal controls, financial objectives and policies, financial statement preparation, and bank reconciliation review and approval.

The Accountant is directly supervised by the Head of Finance and is responsible for the preparation of the Chart of Accounts, Reporting Formats, Accounts Payable Processing, Payroll input and Payroll processing, Cash Receipts input, Journal Entries for General Ledger, Form 1099 reporting, and Form 990 reporting as well as Bank Reconciliations.

## **3. BUDGETING PROCESS (The entire Board must approve the budget.)**

The Executive Director, the head of finance, and the Treasurer shall present an annual operating budget draft sixty (60) days prior to the end of the fiscal year to the board. The Board shall review and approve the recommended fiscal year budget revenues, expenditures and cash flow.

## **4. FINANCIAL STATEMENTS**

The foundation's financial statements are maintained on an accrual basis in accordance with Generally Accepted Accounting Principles ("GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the foundation and changes shall be classified as unrestricted, temporarily restricted and permanently restricted.

## **5. AUDIT**

The foundation will have an audit of its financial statements annually, within 4 months

of the end of each the fiscal year, audit will completed by a firm of Independent Certified Public Accountants.

Executive Director in consultation with Board will select the auditors. The foundation Executive Director and the Head of Finance are responsible to oversee the implementation of the Annual Financial Audit.

#### **Audit Committee**

Foundation does not have audit committee, all audit requirements are directly supervised by board of directors.

### **6. RECORDING REVENUE RECEIPTS**

The following is the standard procedure handling the donations received through the mail. All the accounting related mail should be opened by executive assistant in presence of accountant. Envelope should be marked with the amount received if there is cash in the envelope and handed over to accountant for recording and deposit.

All the checks should be stamped with foundation's stamp at the back of the check before handing over to accountant. All cash received must be recorded on CCF form and be deposited in bank within 48 hours. Any amount in excess of \$ 500.00 should be deposited same day or next day. Checks received through the mail shall be deposited to the bank account designated for that purpose.

An individual deposit ticket shall be prepared bearing a description of each account. That record shall include date of deposit, and amount. A copy of the bank deposit slip is retained in chronological order with copies of the deposited checks.

After recording checks, or cash, they are forwarded to the donor management department for recording in donor management system.

The Accountant shall make the appropriate entries in the General Ledger books. Transactions should be periodically rechecked by the Head of Finance.

### **7. RECEIPTS TO DONORS**

The accountant and head of finance shall ensure that all donors and contributors shall receive proper acknowledgement of their contributions in accordance with IRS Guidelines.

### **8. EXPENDITURES PROCEDURES**

All expenditures shall be incurred by department heads as per the approved guidelines by the Foundation's Executive Director. Following the review and approval by department heads, the invoices shall be provided to the Foundation's Accountant for check payment preparation. Upon payment of a bill, a copy of the check or duplicate of stub shall be stapled onto the bill and payment date and check number shall be printed on the invoice. The paid invoices shall be filed appropriately. All expenditures shall be coded by account number using the Foundation's Chart of Accounts.

## **9. SIGNATURE POLICY**

The Foundation's Executive Director shall sign all checks, drafts, or orders for payment of money, contracts, and commitments for services issued in the name of the Foundation. In the absence of Executive Director .....Head of Finance shall sign the checks, only for payment to vendors for the purchases made, utility bills, payroll or petty cash.

## **10. COMPENSATION AND PAYROLL**

(Important point: Ensure Board approval of Executive Director's salary and salary ranges.) Payroll is executed semi monthly. Accountant should prepare the payroll and Head of Finance or Executive Director should check it. Paychecks or direct deposits will be provided to each employee by the Accountant. Monthly payroll expenses shall be verified by the accountant against payroll reports and direct deposit reports and reconciled with checking account reports.

The Board of Directors shall determine the compensation of the Foundation's Executive Director. Executive Director's compensation is based on a board-approved process. Salaries of all other employees shall be determined by the Foundation's Executive Director subject to range set by Board of Directors. Compensation ranges for all staff positions shall be approved by the Foundation's Board of Directors. No employee of the Foundation may be compensated outside of the approved range, without the approval of the Foundation Board.

## **11. LOCAL TRAVEL AND EXPENSE REIMBURSEMENTS**

Employees must abide by the Foundation's Travel and Expense policy. Travel and expense reports along with proper receipts for mileage, meals, hotel, supplies, etc., will be maintained by each employee and then submitted to the supervisor for approval and payment along with payroll by the Accountant. Limits permissible for each position will be set by Executive Director.

## **12. CREDIT CARD EXPENDITURES**

Executive Director of the foundation will approve the issuance of a company-issued credit card for use by foundation. Employees must utilize that card only for company purpose. Employees must submit a voucher that explains the business reason for items purchased using the credit card. The supervisor must approve the voucher, which is then submitted to the Accountant for recording and reconciliation.

## **13. PURCHASING**

All the purchases must be approved by department heads as per the approved guidelines issued by Executive Director of the foundation up to \$500.00 Any purchase in excess of \$ 500.00 should be preapproved by Executive Director. For fixed assets, reasonable diligence should be exercised to comparatively shop for available sources. Any purchase made by a Board member on behalf of the Foundation will require prior approval by the Foundation EXECUTIVE DIRECTOR.

## **14. LEASES AND OTHER CONTRACTUAL AGREEMENTS**

The Foundation has printers on lease. Leases and other contractual agreements are negotiated by the Foundation EXECUTIVE DIRECTOR. The Foundation EXECUTIVE

DIRECTOR is authorized to develop and enter into contractual agreements with vendors, bankers, and third parties for the purpose of ensuring the Foundation's general operations. The board shall review such agreements and make recommendations when necessary.

**15. NOTES, LOANS, ETC.**

All notes, loans and other indebtedness to be contracted in the name of the Foundation (except open accounts and all other routine banking transactions), shall require the signature of the Foundation EXECUTIVE DIRECTOR, unless otherwise specified by the Board. All indebtedness must be approved by the Foundation's Board of Directors.

**16. DEEDS, CONVEYANCES, ETC.**

The Foundation EXECUTIVE DIRECTOR shall execute all Deeds, Conveyances, Mortgages, Leases, Contracts and other instruments in the name of the Foundation.

**17. BANK ACCOUNTS AND INVESTMENT ACCOUNTS**

Executive Director is authorized any number of bank accounts required for the operations of foundation. The Head of Finance shall maintain and oversee bank and investment accounts, and ensure the Foundation's day-to-day financial operations. Several accounts may be maintained by the Foundation, as per the need.

**18. FRIDAY FUND RAISING EVENTS**

All the cash collected should be counted on the spot by the khateeb and two members from the mosque board or mosque community. All the cash should be deposited in the bank latest by next Monday and all the checks and pledge cards should be mailed to corporate office within next two days. All the process is to be reviewed by the Accountant and credited to the appropriate Accounts. Alternatively all the cash collected and counted as above should be deposited with mosque and a check from the mosque for the same amount can be obtained for the purpose of safety and ease.

**19. MONTHLY ACCOUNTS.**

Bank reconciliations shall be completed monthly by the Accountant and cross-referenced with the cash and receipts logs and the monthly Financial Statements. The Head of Finance, on monthly basis, shall compile the Financial Statements like profit and loss account and balance sheets. The Foundation Executive Director shall then review the Statements.

**20. PETTY CASH**

The Foundation shall maintain a Five Hundred (\$500.00) petty cash fund that is replenished as needed. The Accountant shall maintain control of payments disbursed from the Petty Cash fund; however, amounts should not exceed an amount determined by the Executive Director for each transaction.

**21. SHARIA COMPLIANT INVESTMENTS REPORTS AND INVESTMENTS POLICY**

Foundation shall invest its funds in Sharia Compliant portfolios only. Investments shall be reported with the monthly financial statements at cost or market value. The

Foundation EXECUTIVE DIRECTOR and Head of Finance shall review and determine the general investment strategy for all funds. The philosophy of the Foundation's short-term investments is safety of principal and liquidity.

All financial institutions shall be selected and approved must have long-term investment rating of A or higher by Standard and Poor's, or a compatible rating.

## **22. INSURANCES**

Reasonable and adequate coverage will be maintained to protect the Foundation's interests as well as the Board of Directors and the Foundation's employees. The following insurance policies shall be kept on a yearly basis: Commercial Property Contents, General Liability and Workers Compensation Insurance, Insurance Policies shall be carefully reviewed by the Foundation's EXECUTIVE DIRECTOR and Head of Finance before renewal each year.

## **23. PROPERTY AND EQUIPMENT**

Property and equipment shall be stated at historical cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. A Depreciation schedule shall be prepared and maintained by the Foundation's Head of Finance on an annual basis, taking into consideration the annual equipment inventory. A Property Removal Form shall be required for the removal of the Foundation's property, supplies, and/or equipment from the Foundation's premises.

## **24. DONATED MATERIALS AND SERVICES—Donation in Kind.**

Donated materials and services shall be reflected in the Financial Statements at their estimated values measured on the date of receipt.

## **25. CONFIDENTIALITY AND RECORDS SECURITY**

Financial records are restricted materials with limited access. Only the Head of Finance and Accountant (or others so authorized) shall have access to financial records (vendor files, checks, journals, payroll, etc.).

## **26. DOCUMENT RETENTION**

Financial documents are retained for a period of time in keeping with State law and the recommendations of the IRS.

## **27. TAX REPORTING**

The Foundation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as amended. Accordingly, no provisions for income taxes shall be reflected in the financial statements.