

Accounting Policy

MANAGING RESOURCES

The purpose of this section is to establish Kanu o ka 'Āina organizational management of finance, facilities and other resources via “Capabilities” and “Systems”. Board financial training is arranged via a board development consultant or the auditors/accountants to cover any issues the Board, Business Manager, Fiscal Committee or Business Advisors do not feel comfortable with. Should new board members be elected, both new and seasoned Board members are asked to attend a financial briefing. Included is a line-by-line explanation of the agency's financial reports, so everyone can easily understand their significance and the politics and funding methodologies that affect them and Kanu o ka 'Āina as an organization. If there are signals in other management areas that the organization is going through a transition, or entering a new phase of development there is a review of "Capabilities" and "Systems," to make sure these areas are adapting to support the transition, rather than lagging behind.

Purpose

1. “**CAPABILITIES**” addresses the Board/staff expertise, involvement, and understanding of agency finances.

Uses

- To be sure financial matters are truly understood by all those responsible for the organization's funds and assets
- To verify that those with specific financial responsibilities (the Business Manager, Business Advisor, Treasurer and Fiscal Committee) are properly prepared for the tasks they undertake
- To determine whether training or orientation on financial matters may be needed
- To analyze Kanu o ka 'Āina's financial systems, and hard and software on a periodic basis, to ensure they are fully effective.

Policy

MR1. Fiscal training is provided to the Board and staff so they understand budgets, financial statements/systems, and tax requirements (such as those pertaining to unrelated business taxable income from some forms of fundraising), and other forms of reports due annually (e.g. Department of Labor, Unemployment, Department of Commerce and Consumer Affairs, etc.).

MR2. The Board must be confident that the person responsible for day-to-day financial management is fully competent to carry out that function.

MR3. The Fiscal Team, Business Advisor, Treasurer, and Fiscal Committee must be effective, involved and capable of overseeing the organization's finances and clearly explain financial information/analyses to Board and staff.

MR4. KANU O KA 'ĀINA uses computerized accounting (e.g. QuickBooks), budgeting and reporting systems (e.g. Excel) which produce needed information accurately, in a timely way, and in user-friendly formats. Upgrades at the recommendation of accountants/auditors will be researched when feasible. Inputting into the computerized system is done only by the Fiscal Team.

Purpose

2. “SYSTEMS” establishes Board and staff record-keeping systems, budgeting, and monitoring mechanisms for effective financial management.

Uses

- To develop or refine the financial systems
- To analyze or develop budgeting processes and procedures
- To discuss the results of an audit
- To determine a job description for the Fiscal Committee

Policy

MR5. A detailed chart of accounts is maintained via a computerized accounting system.

MR6. Formal policies/actual practices are being created by the fiscal committee prior to obtaining reserves and/or endowments to maintain integrity of cash reserves/endowments.

MR7. All financial records and supporting documents are kept at least five years — or for periods specified by law or regulation.

MR8. An independent auditor is contracted to confirm that the agency's bookkeeping, record keeping, and system of checks and balances are appropriate and effective. Any recommendations made by the auditors are implemented as soon as possible with consultants brought in should the Board feel additional expertise is need to carry out the recommendations.

MR9. An annual budget is developed to reflect the agency's purposes, values, program priorities and plans.

MR10. Draft budgets are circulated before the new fiscal year for analysis/discussion/revision before adoption, understanding that this is dependent on funding sources timelines, budgets are updated when new funding sources or adjustments from existing funding are made positively or negatively.

MR11. Budgets are prepared based on prior years' income/expense when applicable. Adjustments are made to budgets when anticipated changes in focus or programs are expected.

MR12. Budget categories are consistent with the chart of accounts and with program budgets.

MR13. Specific plans are created for *achieving* projected increases in income which accompany any new budget goal.

MR14. Budgets are not exceeded without careful analysis and Board approval of significant variances.

MR15. Cash flow projections and monitoring are done by the Business Manager/Fiscal (Budget/Accounting) Committee on a regularly basis and issues regarding cash flow are taken up with the full Board.

MR16. A KANU O KA 'ĀINA computerized system (e.g. QuickBooks) manages the fiscal transactions and records the status of (a) cash disbursements and payables, (b) cash receipts and receivables. All of the preceding transactions have a paper-trail consisting of an expenditure/income document explaining the transaction, receipt, appropriate approvals and follow-up if needed, cancelled check or copy of the deposited check. The computerized system, the bank statements and the manual documentation are all reconciled annually by the fiscal team

Purpose

“System - reports” underlines the importance of timely reports that meet government and grantor and foundation requirements, as well as those which inform the public.

Uses

- To remind Board and staff of the variety of reports that are required
- To develop an annual calendar of reporting activities
- To devise reports that can be used for multiple purposes
- To highlight annual reports as important vehicles for communicating with constituents.

Policy

MR17. Summary financial statements are prepared in a timely way and made available to interested persons including the Board. These statements include the amount of funds received from each type of funding source for KANU O KA 'ĀINA programs and for KANU O KA 'ĀINA as an entity, and the percentage of Kanu o ka 'Āina's total receipts from that source.

MR18. Kanu o ka 'Āina's Business Manager reports to local, state and federal agencies on behalf of KANU O KA 'ĀINA on or before the reports are due. The Board checks on report status via the “Reporting Grid” and its accompanying procedure.

Purpose

“System - resource management” encourages Board stewardship of a variety of assets, and promotes the creativity to find and utilize non-monetary support.

Uses

- To encourage Board and staff to think about their stewardship of community resources

- To identify non-monetary needs and sources for meeting them
- To stimulate creative, entrepreneurial thinking about alternate ways of attracting needed resources
- To analyze issues related to facilities and equipment, including planning, maintenance, risk management and insurance.

Policy

MR19. An attorney is brought in periodically to advise and counsel Board members so they understand their role as community trustees legally responsible for the finances of the organization, and liable for the results of mismanagement, non-management, and self-dealing.

MR20. Kanu o ka 'Āina seeks out and utilizes discounts, rebates, donated items, surplus equipment, bulk mail, joint purchasing, joint tenancy, and service-sharing arrangements and other cost-saving measures whenever possible and effective with its community partners.

MR21. Kanu o ka 'Āina's procurement policies ensure competitive bids and price quotations are obtained for goods, services or equipment leased or purchased by the organization. The weight of these bids is focused on, a) service to our community or those we are serving - as a rural area, b) other opportunities for service to include the internet, express mail etc., c) warranties and d) price to include shipping.

MR22. All equipment and assets, staff and Board members are covered by the appropriate level of insurance for the premises, persons and equipment KANU O KA 'ĀINA owns or manages. Appropriate levels of insurance are determined with the help of a board development consultant, accountants and insurance professionals.

MR23. KANU O KA 'ĀINA records the status of

- (a) payroll accounts as reconciled with the payroll system used (e.g. Ceridian)
- (b) taxes and other reports due to local, state and federal agencies
- (c) equipment and property via an automated inventory log
- (d) depreciation of capital assets
- (e) investments
- (f) expense accounts via the automated system
- (g) petty cash transactions – if petty cash is utilized
- (h) employee benefit and pension payments
- (i) usage of sick leave/vacation/compensatory time - for KANU O KA 'ĀINA staff

MR24. A triangle structure check and balance system is being utilized to minimize risk of fund misuse. The triangle consists of 1) Requestor, 2) Po'o (head of project) and 3) Business Advisor/Business Manager who are all involved in all expenditure payments. Items received from shipment will not be received/nor inventoried by the requestor.

MR25. An independent CPA's annual audit report is done annually when required by law and or program funding sponsors.

MR26. The Board reviews the audit and ensures that recommendations for improvements are implemented.