National Tuberous Sclerosis Association, Inc.

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**ACCOUNTING**

**POLICIES AND PROCEDURES**

**MANUAL**

**January 2023**

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# I. Introduction

The purpose of this manual is to describe all accounting policies and procedures currently in use at the TSC Alliance and to ensure that the financial statements conform to generally accepted accounting principles; assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All TSC Alliance staff with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed annually and revised as needed by the staff and approved by the CEO and Finance Committee of the Board of Directors.

# II. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

## Board of Directors

1. Reviews and approves the annual budget
2. Reviews annual and periodic financial statements and information
3. Reviews the performance and establishes the salary for the Chief Executive Officer, Controller & Chief Financial Officer, the Chief Scientific Officer, and any other employees listed on the 990 tax return as well as establish the overall salary pool for increases or market adjustments recommended from compensation surveys.
4. The Board Chair and Treasurer will be authorized signers on the bank accounts

5. Reviews and approves all non-budgeted expenditures that would require spending out of net assets.

6. Reviews and advises staff on internal controls and accounting policies and procedures

## President & Chief Executive Officer

1. Reviews and approves all financial reports including cash flow projections
2. Assists in the development and approves an appropriate budget annually
3. Reviews and signs all issued checks of $25,000 or more
4. Reviews and approves all contracts
5. Reviews and approves all grant submissions
6. Approves inter-account bank transfers (as does the Treasurer)
7. Oversees the adherence to all internal controls
8. Reviews all monthly and year-end financial statements

## Controller & Chief Financial Officer

1. Is the final approver for all expenditures for the organization
2. Monitors program budgets
3. Reviews contracts under $25,000
4. Reviews all payrolls and is responsible for all personnel files
5. Reviews all 401K plan withholding and payments
6. Reviews and signs all issued checks under $25,000 (co-signs if $25,000 or over)
7. Reviews and manages cash flow and reserve investments
8. Processes all inter-account bank transfers
9. Reviews completed monthly bank reconciliations
10. Develops an annual budget with the assistance of all departments
11. Reviews all incoming and outgoing invoices
12. Receives all incoming accounting department mail
13. Monitors and manages all expenses to ensure most effective use of assets
14. Monitors grant reporting and appropriate release of temporarily restricted funds
15. Oversees expense allocations
16. Monitors and makes recommendations for asset retirement and replacement
17. Reviews, revises, and maintains internal accounting controls and procedures
18. Prepares monthly and year-end financial reports
19. Reviews all financial reports
20. Responsible for the audit, 990 tax return, gift annuity, and other state and federal filings

## Senior Accountant

1. Overall responsibility for data entry into accounting system and integrity of accounting system data
2. Processes invoices and prepares checks for signature
3. Makes bank deposits
4. Processes payroll and 401K payment
5. Maintains general ledger
6. Reconciles all bank accounts
7. Mails vendor checks
8. Reviews accounts receivable
9. Prepares Forms 1099 at year end

## Database Project Manager

1. Responsible for database entry for deposits

2. Importing data from Luminate into Raiser’s Edge

3. Reconciling all deposits with the bank statements via the batch tracker

# III. Chart of Accounts and General Ledger

TSC Alliance has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (program vs. fundraising vs. administration). The Controller & CFO is responsible for maintaining the Chart of Accounts and revising as necessary. An abbreviated Chart of Accounts (focused on income and expense accounts) is distributed to all staff (via email) and saved under a shared folder.

The general ledger is automated and maintained using our accounting software (Intacct). All input and balancing is the responsibility of the Senior Accountant with final approval by the Controller & CFO.

The Controller & CFO reviews the general ledger on a periodic basis for any unusual transactions.

# IV. Cash Receipts and Revenue Recognition

Cash receipts generally arise from:

1. Contracts and Grants
2. Direct donor contributions
3. Fundraising activities

4. Conference sponsorships and registration fees

The principal steps in the cash receipts process are:

The Administrative Assistant receives incoming mail, opens, date stamps, and distributes the mail. The Administrative Assistant enters all checks into a log and stamps all checks “for deposit only”. As part of entering the checks into the log, they are counted and appropriately categorized by the Administrative Assistant. The Administrative Assistant also notifies by email Finance, Development, and senior staff, of any checks of $1,000 or more that are received by mail, providing copies of the check and supporting documentation. Copies of memorial or honorarium donations are forwarded to the Donor Relations Manager and copies of Walk checks are forwarded to the Sr. Manager of Special Events. The checks, envelopes, and supporting documentation are handed to the Sr. Accountant for deposit or if the Sr. Accountant is not available, the checks are placed in a locked cabinet for later retrieval by the Sr. Accountant.

At least twice a week, and more frequently if possible, the Administrative Assistant submits the following to the Sr. Accountant for processing: the endorsed checks and the deposit check log. The Sr. Accountant processes the deposit and uses the remote deposit machine to make deposits to TD Bank. For deposits to Citibank, the Sr. Accountant takes those checks to the bank for deposit. A copy of the deposit slip is attached to the deposit for those taken to the bank. The deposits and all supporting information are put in the locked cabinet, with a print out of the check log for that deposit. The deposit check log is saved on the shared directory where the Sr. Accountant can access it.

The Database Manager retrieves the info from the locked file cabinet and enters it into Raiser’s Edge. For donations, unless the donor is anonymous, a receipt or other acknowledgement is sent to the donor.

The TSC Alliance complies with revenue recognition principles of US GAAP. For the sponsorship of special events, Walks, and conferences, the organization evaluates all relevant facts and circumstances of each particular sponsorship to determine if the financial support should be categorized as a **contribution** or as an **exchange transaction**. Some of the factors evaluated may include:

* If the intent of the payee is to provide goods or services.
* If the amount of the payment is based upon the quantity of services provided.
* If the agreement indicates that the benefit the payee receives is approximately equivalent to the payment being made.
* If the services being transferred are closely related to the commercial activity the payee typically engages in.
* If the expressed intent of the payment is to make a gift in support of a program.
* If the payer receives nothing of material value in exchange for the support.

Contributions are recognized as income at the time the pledge (an “unconditional promise to give”) is received by the TSC Alliance, while exchange transactions are recognized as income at the time the services are provided.

Evaluating the facts and circumstances of current sponsorships has led the TSC Alliance to the following determinations:

1. Walk sponsorships provided by Novartis, Upsher-Smith Laboratories, Greenwich Biosciences, Acquestive, Liva Nova and Mass Mutual should be treated as exchange transactions given that the sponsors are pharmaceutical or insurance companies that receive a financial benefit by gaining exposure to people and family members that have tuberous sclerosis complex. Each firm internally puts a dollar value on each Walk it participates in, and has a presence at the Walks as an exhibitor, where it meets with “potential customers” in the TSC Alliance community. Revenue is thus recognized at the time of the Walks, when these companies get exposure to the Community.
2. Sponsorship of the organization’s annual “Comedy for a Cure” fundraising event is considered to be an exchange transaction. Event sponsors receive significant value in the form of tickets, live entertainment and food and beverages, with their tickets refundable if the event had to be cancelled. Revenue from the event is recognized in the period in which Comedy for a Cure takes place.
3. Sponsorship of similar fundraising events, such as the SoundBites event in Minnesota and the 45th Anniversary Gala in New York have a similar structure as Comedy for a Cure and will be treated in a similar manner, with revenue recognized in the periods that each of these events take place.

The nature of each sponsorship as either a contribution or an exchange transaction is determined on a case-by-case basis.

# V. Inter-Account Bank Transfers

The Controller & CFO monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. The Sr. Accountant checks the bank balances in TD Bank and Citibank and informs the Controller & CFO of the bank balances and any incoming electronic transfers on a daily basis. The Controller & CFO recommends to the President & CEO and the Treasurer when a transfer should be made to maximize the potential for earning interest, to comply with the TSC Alliance or Endowment Investment Policies or to ensure combined bank balances do not exceed the federally insured limits by more than $1,000,000. The Controller& CFO initiates a transfer once written approval of the President & CEO has been obtained.

# VI. Cash Disbursements & Expense Allocations

 Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Grant related expenditures
3. Travel expenses
4. Conference, Meeting, and Walk expenses
5. Employee and volunteer reimbursements
6. Marketing/promotional materials

Checks and online Billpay through Citibank are processed on a weekly basis if not more frequently. Invoices submitted to the Sr. Accountant are processed within 5 business days or less. Checks can be prepared manually within the same day, but this should be limited to emergency situations.

Requests for cash disbursements are submitted to the Finance Department in the following ways:

1. Original invoice (electronic copies are acceptable) attached to either:

a. Purchase order (submitted and signed on approved form by the preparer) *or*

b. Employee expense report or reimbursement request (submitted via Nexonia or on an approved form available in the shared drive)

2. Scheduled payments under a contract

Every employee reimbursement or purchase order must be documented on the approved form with receipts, nature of business, and program allocation, and signature or electronic approval, before approving for reimbursement as follows:

The Sr. Accountant compares the invoice to the requested amount, reviews the account coding of the requested disbursement, and enters the date, amount, account and description in Intacct. If it is a new vendor, a completed Form W-9 must be received from the vendor, if the payment is for a service that would require the issuance of a Form 1099.

Once the Sr. Accountant has obtained all the required information, and entered the info into Intacct, the Controller & CFO reviews payment requests:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Determines the date of payment, taking into account cash flow projections

Once approved by the Controller & CFO, the Sr. Accountant processes all payments as follows:

1. She prints checks according to allocation and payment date provided by the Controller & CFO.
2. Checks under $25,000 are issued with the electronic signature of the approver, either the Controller & CFO or the President & CEO. All checks of $25,000 or greater require a second signature from an authorized board member or officer (including President & CEO).
3. Mails checks and remittance advice to the vendor, if not paid electronically.
4. Files all backup documentation accordingly.

**Expense Allocations**

Most non-salary expenses that benefit more than one cost center (administration, fundraising, and program) are spread across centers using a shared cost method. Under this method, employees evaluate the percentage of their time working on different departmental tasks each month and those percentages are then combined into organization-wide percentages that are applied to shared costs on a quarterly basis. In the case of salary expenses, those percentages are additionally weighted by the compensation paid to each employee. Supervisors review and approve the allocation percentages prepared by their staff, prior to submission to the Sr. Accountant for tabulation following the end of each quarter. The Sr. Accountant reconciles salary information in the GL to third party payroll processor reports and calculates the percentages in the Excel spreadsheet, prepares a journal entry, and submits it to the Controller & CFO for approval. Once reviewed it is posted and filed.

# VII. Credit Card Policy and Charges

All staff members who are authorized to carry a TSC Alliance credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes: personal expenditures of any kind; expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations.

The receipts for all VISA credit card charges will be submitted for review and approval to direct supervisors using the Nexonia software. Staff making use of their card will receive email notification from Nexonia of pending charges requiring documentation, from the Sr. Accountant’s uploading of VISA activities from the prior day on a daily basis from Eagle bank. Correct coding of expenses is reviewed by the Supervisor first, then approved and it will be directed to Controller & CFO (which needs approval) prior to downloading the expenses from Nexonia into Intacct. The Sr. Accountant will reconcile all credit card charges with the monthly statements.

The President & CEO’s credit card usage will be provided to the Board Chair or appointed board officer for review and approval.

Receipts for all MasterCard credit card charges for conference, group travel, and office expenses will be submitted along with similar documentation to the Administrative Assistant for reconciling with the monthly statement and review by Sr. Accountant and entered into the AP system. The Controller & CFO reviews the documentation and journal entry and posts it in the system. The President & CEO’s MasterCard credit card expenditures follow the process for approval outlined above.

# VIII. Accruals

To ensure a timely close of the General Ledger, the Controller & CFO may book accrual entries and approve entries prepared by the Sr. Accountant. Some accruals will be made as recurring entries. Some accruals are made on a monthly basis, such as for insurance expense, rent, parking, lobbying fee, Intacct fees while others (for payroll and adjustment for PTO liabilities) are only made at the end of each fiscal year.

Accruals to consider:

1. Monthly interest earned on money market accounts, certificates of deposits, etc.
2. Recurring expenses, including employee vacation accrual, prepaid corporate insurance, depreciation, etc.

# IX. Bank Account Reconciliations

1. The President & CEO is provided with online access to the organization’s bank accounts so that she is able to review the statements for unusual balances and/or transactions.
2. The gift report is prepared by the Database Manager and sent to the Sr. Accountant and Controller & CFO. After the gift reports are posted each month, the Sr. Accountant prepares timely reconciliations for primary accounts including: a comparison of dates and amounts of deposits as shown in the accounting system and on the statement, a comparison of inter-account transfers, an investigation of any rejected items, a comparison of cleared checks with the accounting record including amount, payee, and sequential check numbers.
3. The Sr. Accountant will verify that voided checks, if returned, are appropriately defaced and filed.
4. The Sr. Accountant will investigate any checks that are outstanding over six months.
5. The Sr. Accountant will attach the completed bank reconciliation to the applicable bank statement, along with all documentation.
6. The reconciliation report will be reviewed, approved, dated, and initialed by the Controller & CFO.

# X. Petty Cash Fund

Petty cash funds are only disbursed on an “as needed basis” for particular events. The funds are to be used for miscellaneous purchases that are typically paid in cash and the same approval procedures apply as mentioned in the cash disbursement section.

1. The requester should submit a Petty Cash Request Form to the Controller & CFO and make the request at least 5 days in advance. Once approved, a check is cut by the Sr. Accountant and given to the requestor.
2. All disbursements made from petty cash are acknowledged in writing by the receiving party.
3. All unused petty cash is counted and returned to the to the Controller & CFO along with receipts for items purchases and a completed expense report form showing appropriate account allocations.
4. After review Sr. Accountant will draft the entry to record the return of petty cash and amounts expensed. The Sr. Accountant will deposit any returned cash to the bank.

XI. Property and Equipment

Property and equipment includes items such as:

1. Office furniture and equipment
2. Computer hardware
3. Computer software
4. Leasehold improvements

It is the organization’s policy to capitalize all items which have a unit cost greater than three thousand dollars ($3,000). Items purchased with a value or cost less than three thousand dollars ($3,000) will be expensed in the period purchased.

The depreciation period for capitalized assets is as follows:

Computer Hardware 36 months

 Office Equipment 60 months

 Office Furniture 60 months

 Computer Software 36 months

 Leasehold improvements Length of lease

1. A Fixed Asset schedule is maintained by the Sr. Accountant including date of purchase, asset description, purchase/donation information, cost/fair market value, and life of asset.
2. The schedule will be reviewed by the Controller & CFO.
3. Depreciation is recorded on a monthly basis. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Any impaired assets discovered during the inventory will be written down to their actual value.

# XII. Personnel Records

1. All personnel files contain the following documents: an application and resume, date of employment, position and pay rate, authorization of payroll deductions, W-4 withholding authorization, termination data where applicable, a signed acknowledgement of receipt of Employee Handbook, an emergency contact form, record of agreed upon key performance objectives and annual reviews, and other forms as deemed appropriate by the Controller & CFO.
2. All employees will fill out an I-9 form and submit the allowable forms of identification to the Controller & CFO within 3 business days of commencing employment with the TSC Alliance.
3. All personnel files are to be kept in a secure, locked file cabinet in Controller & CFO’s office and accessed only by authorized personnel.

# XIII. Payroll Processing

1. Timesheets are to be prepared by all staff on the approved form and submitted on a bi-weekly basis. If the pay period terminates on a weekend or holiday, timesheets are to be submitted the day prior to the weekend or holiday. Exceptions to the submittal date may occur and will be communicated accordingly.
2. Exempt employees will only enter paid or unpaid time-off on the timesheets.
3. Timesheets are to be signed and dated by the employee and the employee’s supervisor for submission to finance. Electronic signatures are acceptable.
4. The addition of new employees, deletion of employees, payment of incentive compensation or changes in base pay rate must be documented by an email or other written notification by the President & CEO before the change can be made.
5. The Sr. Accountant will process payroll online in a timely manner and record PTO used, PTO earned, holiday hours, and any other information deemed necessary to properly reflect time worked on the PTO spreadsheet.
6. Pays will be distributed via direct deposit to the bank account(s) designated by the employee on every other Thursday. If the pay date happens to fall on a weekend or holiday, the payroll will be distributed the day before.
7. If the employee requests that his/her pay be turned over to a third party, the request must be made in writing prior to distribution.
8. Employees will be provided with log-in information to view their paystub information and view their payroll history.
9. All W-2 statements are issued to employees prior to January 31st of the following year for the prior calendar year, issued by the payroll processor.

# XIV. End of Month, Quarterly and Fiscal Year-End Close

1. The auditors will be provided with access to the accounting system and supporting documents for audit trail purposes.
2. At the end of each month and fiscal year end, the Controller & CFO will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will include reconciliation to amounts received and expended and verification that payroll expenses match the payroll reports including federal and state payroll tax filings.
4. On a quarterly basis the Sr. Accountant prepares a schedule that summarizes how employees have spent their time amongst specific program and support services for the prior calendar quarter and applies those cumulative percentages to wages, benefits, and general overhead, allocating those costs amongst the various programs and support service areas.
5. On a quarterly basis the President & CEO and the Controller & CFO review the Donor Restricted Net Assets Schedule to determine if expenses classified for releasing donor restrictions properly satisfy donor requirements and allow for the reclassification of net assets from donor restrictions to without donor restrictions.
6. Once the final fiscal year-end financial statements are run, reviewed, and approved by the Controller & CFO and the President & CEO, no more entries or adjustments will be made into that year’s ledgers.
7. At the end of the fiscal year, the Controller & CFO or outside CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the President & CEO, the Board Audit Committee, the Board Finance Committee, and the Board Executive Committee for their review and approval. The Endowment Form 990 is presented to the Endowment Board for its review and approval. The consolidated audit and the Form 990 for each organization is circulated to all board members prior to its filing. The President & CEO will then approve the electronic filing of the return with the Internal Revenue Service by the annual deadline.
8. All other appropriate government filings including those required by the state tax boards and attorney general’s offices will be completed and filed with the appropriate agencies.

XV. Financial Reports

The Controller & CFO will prepare the monthly and annual financial reports for distribution to the President & CFO, the Treasurer and Board Finance Committee. The reports will include: the statement of financial position and statement of activities for both the TSC Alliance and the Endowment, financial dashboard, projection of the annual statement of activities compared to budget, and any other requested reports.

Periodic and annual financial reports will be submitted to the Finance Committee and Board of Directors for review and approval.

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# XVI. Fiscal Policy Statements

1. All cash accounts (except petty cash) owned by the TSC Alliance will be held in financial institutions which are insured by the FDIC. In total, bank account balances should not exceed the FDIC insured limit by more than $1,000,000.
2. All capital expenditures which exceed three thousand dollars ($3,000) will be capitalized.
3. Employee or public personal checks will not be cashed through the petty cash
4. No salary advances will be made under any circumstances.
5. Travel cash advances will only be made under special conditions and pre-approved by the employee’s supervisor.
6. Reimbursements will be paid upon complete expense reporting and approval using Nexonia or the official TSC Alliance Expense Report form. Reimbursements to the President & CEO will be authorized by the Board Chair or designated Board Officer.
7. Any donations will be recorded and a letter acknowledging the donation will be sent by the Development Department to the donor within 10 business days of the receipt of the donation.
8. Donated expert services meeting criteria specified by GAAP will be recorded as in-kind donations.
9. The President & CEO, the Board Chair, the Treasurer and the Controller & CFO are the signatories on TSC Alliance bank accounts. Disbursements exceeding ($25,000) require a second signature by an authorized board or staff member.
10. Bank statements will be reconciled monthly. The President & CEO will have online access to all bank statements.
11. Accounting and personnel records will be kept in locked file cabinets in the finance office and only parties with financial and/or HR responsibility will have access to the keys.