



Accounting Policies and Procedures Manual Outline

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ACCOUNTING MANUAL PURPOSE

This Accounting Policies and Procedures manual has been designed to establish policies and systems that ensure compliance with various Federal and State laws, effective stewardship of organizational assets and properly classified transactions with respect to Generally Accepted Accounting Principles.

This manual has been prepared by the management staff of David's House, has been reviewed by the Finance Committee and will serve as the official Corporation document that expresses the accounting management practices of the organization.

This manual is designed to serve as the guideline which staff and volunteers are expected to conduct business within from an accounting perspective. Any variance from the systems described within this manual must be reviewed by the Finance Committee of David's House.

ACCOUNTING METHOD

David's House is a New Hampshire based not-for-profit corporation organized to provide a home away from home and support for families with children receiving treatment through Children's Hospital at Dartmouth. David's House is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Finance statements are prepared on the accrual basis of accounting and present balances according to the existence or absence of donor imposed restrictions.

ACCOUNTING SOFTWARE

David's House uses QuickBooks software on a Macintosh platform as its primary accounting source. The Finance Manager is responsible for the entry and maintenance of data within QuickBooks. Other applications may be used to track accounting information but it must be reconcilable to the information provided in QuickBooks which will serve as the key source of data used to prepare monthly financial reports, regulatory compliance reports and year end audit information. The agency uses a web based application, Blackbaud's Raiser's Edge, for donor management. The Development Director is responsible for the entry and maintenance of data within Raiser's Edge. The Finance Manager uses Excel to calculate payroll in conjunction with Federal and State regulations before processing in QuickBooks.

BALANCE SHEET CLASSIFICATIONS

David's House maintains a balance sheet that is maintained in accordance with accounting principles generally accepted in the United States of America. The balance sheet, also referred to as Statement of Financial Position, is a cornerstone to monitoring the health of the organization by measuring its ability to meet obligations. Following is a definition of each category listed on the organization's balance sheet.

Current Assets – These items have a life span of one year or less and are items that can generally be converted to cash quickly and easily. Items purchased for \$500 or more and have a defined future benefit are recorded as prepaid assets and expensed over the life of the purchase.

Long Term Assets – These items have a life span of one year or longer and cannot be converted to cash as easily. Examples of items in this category include the cost of fixed assets purchased or donated less accumulated depreciation.

Other Assets – This category includes assets that are restricted or designated by the donor or Board of Directors for long term sustainability. Included are donations restricted for a specific purpose, the organization’s long term investment portfolio that is monitored by the Investment Committee and a permanently restricted endowment fund.

Current Liabilities – These are items that come due or must be paid within one year. Examples include amounts owed to vendors (accounts payable) and accrued payroll and vacation time.

Long Term Liabilities – These items are due over a period of one year or longer. Examples include financing obtained for operational purposes.

Unrestricted and Undesignated Net Assets – This item generally represents gains from operations where no restriction or designation has been imposed.

Unrestricted Internally Designated Net Assets – This amount generally represents what has been designated for long term investment by the Board of Directors.

Temporarily Restricted Assets – This balance represents donations received for specific items or purposes designated by the donor.

Permanently Restricted Net Assets – This balance represents funds that have been received which may not be used for any purpose. Income realized from these funds must be used in accordance with the donor’s wishes

BANK ACCOUNTS

Bank accounts may be opened with Board of Directors approval and transfers may be initiated by the Finance Manager and authorized by the Board President, Treasurer or Executive Director in accordance with guidelines established by the Finance Committee. Monthly cash flow statements will be generated for the Finance Committee. If the cash balance in David’s House operating sweep account exceeds 90 days worth of operating needs, the Finance Manager will make and/or seek recommendations from the Finance Committee to transfer excess funds into a separate account with higher earnings potential. David’s House will also take steps to make sure that all deposits are adequately insured within FDIC guidelines.

On an annual basis the Finance Manager will request Annual Reports from all Financial Institutions David’s House does business with. A summary of the reports received will be prepared by the Finance Manager and disseminated to the Finance Committee.

Board Approved: 6/30/09

ROLES & RESPONSIBILITIES OF THE FINANCE & INVESTMENT COMMITTEE

PURPOSE

The purpose of the David's House Finance & Investment Committee is to safeguard and monitor the financial standing of David's House, analyze proposed mission related projects as to their financial feasibility, make financial recommendations, and ensure compliance with all auditing, financial, and investment regulatory bodies. The Finance & Investment Committee also acts as the organization's Audit Committee.

COMPOSITION

- Board Treasurer
- At least one Board member
- CPA Accountant or someone with similar expertise
- Finance Director of David's House (invited guest, no voting powers)
- Member with banking or finance experience. Risk Management experience is beneficial.
- Investment Manager or a member with a strong investment background that can assist with monitoring
- Others with relevant experience, as appointed

RESPONSIBILITIES

- Annually develops, with the Finance Director and Executive Director, an annual operating budget for presentation to the Board of Directors for approval
 - Oversee and monitor the overall operating budget of the organization
 - Determine whether funds are available for investment; have the authority to change the form of investments that fall within the Organization's Investment Policy
 - Biannually review and update the written long-range financial plan for David's House
 - Select and assist an independent accountant on the annual audit as required by the State of New Hampshire. Review, approve and understand the auditor's report and related financial statements and present these statements to the Board of Directors.
 - Ensure the annual IRS Form 990 and related tax filings are completed and accurate and filed by the filing deadline
 - Ensure that internal accounting procedures and practices are followed and updated as need be
 - Develop, maintain, and recommend finance and investment policies and guidelines to the Board of Directors
 - Assess business risks for financial implications/feasibility of ongoing and future operations
 - Work with the various other committees on an annual basis. Ensure activities that may affect the financial or compliance of the Organization are discussed and documented.
- The Finance Committee may meet with the following Committees on an annual basis:
- The Development Committee to establish fundraising goals to meet short and long term needs of the organization
 - The Buildings & Grounds Committee to determine capital needs and replacement funds

- The Human Resource Committee to review annual staffing budget and related expenses
- Maintain adequate and timely documentation (minutes) of all meetings
- Recommend on form and nature of any financing or credit options

MEETINGS & ATTENDANCE

David's House maintains a calendar of annual events which includes scheduled meetings of the Finance & Investment Committee. Generally, the Finance Committee meets on the Wednesday that precedes the Board of Directors meeting. The Treasurer of the Board may call a special meeting if necessary.

Attendance is imperative to conduct business related to the financial oversight of the Organization. Any committee member that misses more than two regularly schedule meetings, over the course of a fiscal year, may be subject to removal by the Chair of the Finance and Investment Committee. While attendance in-person is preferred, committee members may attend scheduled meetings by phone or similar technology.

Finance and Investment Committee Approved: 6/18/14

CONFLICTS OF INTEREST AND MONETARY BENEFIT TRANSACTIONS

PURPOSE

Conflict of interest or even the appearance of conflict of interest, by Board Members or Staff must not compromise the mission of David's House.

Conflict of interest means any financial or other interest which conflicts with the service of an individual because: 1) it could impair the individual's objectivity; or 2) it could create an unfair advantage for any person or organization.

Consequently, there exists between David's House and its Board and Staff a fiduciary duty, which carries with it a broad and unbending duty of loyalty and fidelity. The Board and Staff have the responsibility of administering the affairs of David's House honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of David's House. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with David's House or knowledge gained from their position for their personal benefit. The interests of the organization must have the first priority in all decisions and actions.

COVERED PERSONS

This policy applies to all Board Members, Committee Members and Staff who can influence the actions of David's House (collectively, "Covered Persons"). For example, this would include all who make purchasing decisions, all other persons who might be described as "management personnel," and all who have proprietary information concerning David's House. Each Covered Person shall receive a copy of this policy and shall sign an acknowledgement that he/she has received, understands and shall comply with this policy.

All Covered Persons shall comply with all notice and voting requirements of New Hampshire RSA 7:19-a, and 292:6-a.

STATUTORY REQUIREMENTS

The New Hampshire statutory requirements dealing with pecuniary benefits (RSA 7:19-a and RSA 292: 6-a) are hereby incorporated in full into and made an integral part of this Conflict of Interest Policy; and a copy of the relevant New Hampshire statutes is attached hereto so that every Board Member and other Covered Person is aware of the statutory requirements. These requirements include, but are not limited to, absolute prohibitions on loans from a charitable trust to a director, officer, or trustee and prohibition of any sale or lease (for a term greater than five years) or conveyance of real estate from an officer, director, or trustee without the prior approval of the probate court. These requirements extend to both direct and indirect financial interest, as defined by the attached statutes.

NATURE OF CONFLICTING INTEREST

A conflict of interest may arise if a Covered Person has a disqualifying relationship with related parties dealing with David's House. A "disqualifying relationship" means formal affiliation with an organization other than David's House (such as being an officer, director, trustee, member, owner [either as sole proprietor or partner], shareholder, employee or agent), or immediate family members defined as spouse, child, parent, sibling and any persons living in the same household.

INTERPRETATION OF THIS STATEMENT OF POLICY

The areas of conflicting interest listed above, and the relations in those areas which may give rise to conflict, are not exhaustive. Conceivably, conflicts might arise in other areas or through other relations. It is assumed that the Covered Persons will recognize such areas and relation by analogy. David's House expects that all Covered Persons will abide by the spirit as well as the letter of this Policy.

The fact that one of the interests previously described exists does not mean necessarily that a conflict exists, or that the conflict, if it exists, is material enough to be of practical importance, or if material that upon full disclosure of all relevant facts and circumstances that it is necessarily adverse to the interests of David's House.

However, it is the policy of the Board that the existence of any potentially conflicting interest shall be disclosed before any transaction is consummated. It shall be the continuing responsibility of Covered Persons to scrutinize their transactions and outside business interests and relationships for potential conflicts and to immediately make such disclosures.

RELATED PARTY TRANSACTIONS PROCEDURE

Transactions with related parties may be undertaken only if all of the following procedures are observed:

Related Parties to Staff of David's House

1. The goods or services purchased must be in the best interest of David's House.
2. The goods or services purchased must be the same as or similar to those purchased in the ordinary course of the organizations' operations and the related party must charge reasonable or discounted fees for them
3. In situations where a competitive procurement process is required according to accounting policy, a related party's request for consideration must be disclosed to the Executive Committee upon receipt of their proposal.
4. Staff of the related party are excluded from the solicitation, procurement and approval of any transactions, but may provide information if requested to do so.
5. Approval for all transactions must be obtained and documented by a member of the Executive Committee.
6. All related party transactions must be fully disclosed to the Finance Committee and Board of Directors

Board Members and Related Parties to Board Members

1. The goods or services purchased must be in the best interest of David's House.
2. The goods or services purchased must be the same as or similar to those purchased in the ordinary course of the organization's operations and the related party must charge reasonable or discounted fees for them
3. In situations where a competitive procurement process is required according to accounting policy, a submitted proposal must be disclosed to the Executive Committee upon its receipt.
4. The Board Member and Related Party are excluded from the solicitation, procurement and approval of any transactions, but may provide information if requested to do so.
5. If total transactions exceed \$500, conditions 1-4 must be met AND a two-thirds majority vote of the Board of Directors must be obtained and documented in meeting minutes approving the transaction(s)
6. If the total transactions exceed \$5,000, conditions 1-5 must be met AND David's House must publish a notice of intent in a widely circulated newspaper with in the community AND must give written notice to the State of New Hampshire's Attorney General before consummating the transaction
7. All related party transactions must be fully disclosed to the Finance Committee and Board of Directors.

DISCLOSURE

As potential conflicts arise, disclosure within David's House should be made immediately to the Board President who shall determine whether an apparent conflict exists and is material, and who shall bring such matters, if material to the Board. If a potential conflict arises for the Board President, they must immediately notify the other members of the Executive Committee who shall determine if a conflict exists and bring material matters to the Board.

The Board shall determine whether a conflict exists and is material, and in the presence of an existing material conflict, whether the contemplated transaction may be authorized as just, fair, and reasonable to David's House. The decision of the Board on these matters will rest in their sole discretion, and their concern must be the welfare of David's House and the advancement of its mission.

ANNUAL REPORTS

To address questions of conflict of interest, for the protection of both the individual and the organization, each Covered Person shall submit annually a list of his/her business and charitable affiliations to the Executive Committee of the Board of Directors. This list will be maintained in the corporate records of David's House, and considered a matter of public record and will be available for review upon request by the public.

Board Approved: 12/8/11

BUDGET DEVELOPMENT AND MANAGEMENT

The following budget system is designed to ensure that adequate resources are earmarked to deliver services that meet the mission of David's House.

OPERATIONAL COSTS

Each fiscal year a budget will be developed and reviewed by various committees and adopted by the Board of Directors. The following table identifies the broad categories associated with the operational portion of the budget and the Committees/Staff who play the key role in their development. Factors to be considered in the planning of the operational budget must include, but are not necessarily limited to, comfort and safety of House guests, trends, historical patterns, efficiency, anticipated resources and compliance with regulatory authorities.

Content Area	Primary Development Responsibility
Human Resources	Executive Director Executive Committee Human Resources Committee
House Operations	House Manager Building and Grounds Committee
Guests' Special Needs	Executive Director
Administration	Executive Director Finance Manager
Fundraising	Development Director Development Committee
Public Relations	Development Director Development Committee
Depreciation	Finance Manager

CAPITAL COSTS

A capital purchasing schedule is maintained by the House Manager. The schedule is reviewed during budget development stages with items targeted for replacement during the fiscal year being planned for. Resources for acquisitions will be accessed from the agency's funded depreciation account to replace identified items. If a capital item acquisition has not been planned for then the capital purchase budget will identify sources sought for the capital outlay. Factors to be considered in the planning for a capital budget should include but are not necessarily limited to: condition of current plant and equipment, resources available, safety of guests and staff, cost trends and history, operational costs of capital purchase and value of acquisition

SURPLUS/DEFICIT ACKNOWLEDGEMENT

Annual budgets should also briefly state how any anticipated operating surplus or deficit is to be managed. Operating surplus could be earmarked for equity growth, long term investment planning, additional capital outlays and/or other designations. Operating deficits should contain an explanation of what agency sources might be sought to cover operational costs or what other provisions might need to be considered to meet mission objectives.

TIMELINE

The following table establishes a timeline for key stages of the budget development process.

Timeframe	Event
By March 31	The Finance Manager will provide Directors and/or Committees with current fiscal year budget and projections for their component(s) along with actuals from previous 3 fiscal years
By May 10	Directors and/or Committees will submit their budgets to Executive Director for Review
At May Finance Committee Meeting	Finance Committee will get their first look at proposed annual budget and have the opportunity to ask questions and offer feedback
At May Board of Directors Meeting	Board of Directors will get their first look at proposed budget, along with comments from the Finance Committee, and have the opportunity to ask questions and offer feedback
At June Finance Committee	A revised budget (if necessary) will be presented to the Finance Committee with approval sought to recommend adoption of the budget to the Board of Directors
At June Board Meeting	A revised budget (if necessary) approved by the Finance Committee will be presented to the Board of Directors with approval sought for adoption

MONITORING/MANAGEMENT

The agency's budget is entered into QuickBooks on a monthly basis. The budget will be spread across the fiscal year with consideration given to event scheduling, seasonal impact and historical purchasing patterns so that evaluation can occur on a monthly, year to date and annual basis.

Line items that have negative variances of greater than 15% and at least \$250 will be reported to the Finance Committee along with a recommended course of corrective action.

BUDGET MODIFICATION

A budget modification should be prepared for Finance Committee and Board approval if any revenue category is projected to fall 15% and \$5,000 or more below budgeted expectations or if any expense category is expected to exceed budgeted levels by 15% and \$5,000 or more. Modification should present original budget, requested amendment and a brief explanation of factors that are contributing to budget variance. The modification will be presented to the Finance Committee for approval and to the Board of Directors for adoption.

Board Approved: 6/30/09

PURCHASING/ACCOUNTS PAYABLE SYSTEM

The following guidelines and procedures establish a system that ensures proper controls over purchases, protects the reputation of David’s House and ensures compliance with regulatory agencies.

AUTHORITY

The following table identifies the positions that have the authority to make purchases on behalf of David’s House.

Position	Program/Function Area
Executive Director	All areas
Development Director	Fundraising/Marketing/Events
House Manager	Maintenance/Guest Services
Finance Manager	Administration/Office

All purchases must meet the following criteria prior to acquisition.

Reasonable – Prudence should be exercised with respect to the price, quality and quantity of item(s) acquired.

Assignable – Purchases must fall within the scope of David’s House mission and must be assignable to one of the following functional areas; General and Administrative, Programs and Fundraising.

Budgeted – Purchases must fit within the scope of budget adopted for David’s House. Purchases that are not in original budget or exceed budgeted levels by more than 15% require Finance Committee approval prior to the purchase being made.

CHECK SIGNING

The following staff are authorized to sign checks on behalf of David’s House: Executive Director, Board of Director’s President and Treasurer. Checks drafted under \$10,000 require one signature. Checks drafted for \$10,000 or more require 2 signatures. No individual may sign a check that is made payable to themselves.

ACCOUNTS PAYABLE PROCEDURE

1. Bills that come in are routed to staff by function area.
2. Staff must review the bill within 3 business days of its receipt, authorize payment by initialing the bill, and route to the Finance Manager.
3. The Finance Manager will enter the bill into the automated accounting system for payment.
4. On a weekly basis the Finance Manager will review an Accounts Payable Aging register and generate checks for payment that are due within 5-10 days.
5. Supporting documentation will be attached to each check and routed to the Executive Director for signing.
6. Checks are then mailed by the Finance Manager along with any remittance information within 5-10 days of the obligation’s due date.

7. Once a payment has been submitted the Finance Manager will stamp the invoice as “paid” and file by vendor.

ELECTRONIC PAYMENTS

Payments made via Electronic Funds Transfer will be limited to payroll and compliance item obligations. Supporting documentation pertaining to each submission will be prepared by the Finance Manager and submitted to the Executive Director for approval. Once approved the transmission will be executed by the Finance Manager and the documentation will be stamped “paid” and filed by vendor.

STALE DATED CHECKS

On a monthly basis the Finance Manager will review a list of outstanding checks and take the action listed in the table below that corresponds with the amount of time a check has gone uncashed.

Days Stale	Action
60 days or more	Finance Manager will make an effort to contact party verbally and request deposit of check
90 days or more	Request will be made in writing to vendor requesting action; deposit check or request re-issue. Re-issued checks will be issued less stop payment fee
120 days or more	Second request will be made in writing requesting action within 30 days
150 days	Stop payment will executed and funds will be earmarked for submission to the New Hampshire State Treasurer’s Abandoned and Unclaimed Property Division

VOIDED CHECKS/STOP PAYMENTS

Checks printed that need to be voided before distribution will have the signature section of the check removed and filed under “Voided Checks”. Re-issued checks will be noted in the “Voided Checks” with original source documentation attached to the re-issued check stub.

CREDIT CARDS

The following staff will have access to a David’s House credit card with a credit limit of \$5,000; the Executive Director, House Manager and Development Director. These staff are responsible for the care and security of their credit card. Lost credit cards must be reported to the Finance Manager immediately. Where possible and without creating unreasonable inconvenience, staff should seek to make purchases using an open account/billing arrangement. Invoices itemizing each good or service purchased must be requested from the vendor and submitted to support each statement charge. If a credit card is used to pay a fixed, recurring charge than the staff member must ask the vendor for a contract or agreement that specifies the service/good being procured, the recurring charge and the duration of the charge. All credit card purchases must be reasonable, assignable and budgeted as previously defined.

OTHER VENDOR PURCHASING CARD ARRANGEMENTS

The establishment of vendor specific purchasing cards must be authorized by the Executive Director. If custody of the card is assigned to a staff member they are responsible for its care and security and must notify the Finance Manager immediately if the card becomes lost.

PETTY CASH

A petty cash fund will be maintained to purchase incidental costs, generally \$20.00 or less. The petty cash fund is secured in the David's House safe and is managed by the Executive Director. Staff needing access to petty cash will request funds from the Executive Director and will obtain an itemized receipt for the vendor where the purchase was made. The Executive Director will maintain a petty cash journal that will be reconciled to the Accounting System's general ledger on a quarterly basis. Replenishment of petty cash funds will not exceed \$200.00. If petty cash is needed for an event, the Finance Manager will make the request, monitor its management and return via deposit on the first business day after the conclusion of the event.

SECURITY

Checks are stored in a locked cabinet within the Finance Manager's office. The Finance Manager's office is to be kept locked whenever it is not occupied.

CONTRACTUAL SERVICES PROCUREMENT

Certificates of Insurance will be required from vendors hired for house maintenance repairs identifying General Liability and Workers Compensation coverage where applicable. If a vendor providing services is a sole proprietor, Limited Liability Company or a partnership then they must provide David's House with an IRS W-9 form before payment can be issued. The Finance Manager will issue 1099 forms to all applicable vendors on an annual basis in conjunction with regulations established by the Internal Revenue Service.

Board Approved: 6/30/09

CASH RECEIPTS MANAGEMENT SYSTEM

The following system describes cash receipt management practices that will ensure proper controls are implemented to safeguard David's House resources.

PROCEDURE

David's House mail is picked up daily by the House Manager and given to the Executive Director for sorting. All checks are opened and stamped "For Deposit Only." Checks are then recorded in QuickBooks as a Deposit Summary which identifies cash receipts on a daily basis. The Deposit Summary is then printed, initialed by the Finance Manager and forwarded to the Development Director along with any payment supporting documentation. The Finance Manager will prepare a deposit slip for the House Manager to take to the bank. The Development Director will analyze information provided by the donor to determine the appropriate classification of the receipt and will generate thank you notes to acknowledge the donation. After entering the payments into the development program software, the Development Director will generate and initial a report assigning codes to each payment and return the information to the Finance Manager for coding within the accounting system and filing. Deposits are filed monthly and will include the following documentation.

1. Daily cash receipt log
2. Copies of checks
3. Development software report
4. Accounting software report
5. Any correspondence from donor that helps identify nature of the gift
6. Receipt from bank identifying deposit total

The following table identifies key aspects of David's House cash receipts system and identifies primary and alternate responsibility for each function. Alternate responsibility is meant to ensure safeguarding of resources during short term absences of each position. If a position were vacant or absent for an extended period of time (1 week or more), the system would be reviewed with assignments made to ensure proper segregation of duties and controls in the most efficient manner possible.

Function	Primary Responsibility	Alternate Responsibility
Pick up mail	House Manager	Development Director
Sort mail and open payments	Executive Director	Finance Manager
Record cash receipts	Finance Manager	Executive Director
Prepare bank deposit	Finance Manager	Executive Director
Take deposit to the bank	House Manager	Development Director
Assign account classifications	Development Director	Finance Manager
Enter in development system	Development Director	Finance Manager
Enter in accounting system	Finance Manager	Executive Director
Reconciliation of 2 systems	Finance Manager	Executive Director
Bank statement opened By	Executive Director	Treasurer
Bank statement reconciled by	Finance Manager	Executive Director
Reconciled statement reviewed by	Treasurer	Executive Director
Payment acknowledgement sent by	Development Director	Executive Director

GUEST PAYMENTS

Guest payments for room fees are given to the Executive Director who records them in a daily Guest Log that identifies the guest's name, date(s) of stay and amount paid. The payments are then forwarded to the Finance Manager to record along with other receipts and then prepared them for deposit. Daily guest logs are reconciled to the general ledger account for room fees on a quarterly basis so that restricted funds can be released to cover any unpaid room fees.

CASH MANAGEMENT AT EVENTS

A volunteer or staff member (other than the Finance Manger) will be recruited to serve as Teller for each David's House managed event where cash receipts are collected. The Teller will collect and record receipts using the David's House Event Cash Receipts Log. The Teller will submit the prepared form and cash to the Finance Manager.

DEPOSIT FREQUENCY

Bank deposits will be made no less frequently than once per week. Whenever the amount to deposit reaches \$2,500 or more (cumulative or daily), a deposit will be made same or next business day. Payments not prepared for deposit on any given day will be secured in the safe until they are prepared for deposit.

RECONCILIATION

Bank Statements are opened by the Executive Director and examined for reasonableness. They are then forwarded to the Finance Manager and reconciled with the general ledger within 3 business days. A reconciliation report is generated from Quick Books and attached to the bank statement for documentation purposes. Bank Statements are reviewed and initialed by the Treasurer on a monthly basis.

A reconciliation of cash receipts recorded in David's House accounting and development software programs will be done on a monthly basis by the Finance Manager within 25 days of the preceding month end.

PLEDGE COMMITMENTS

A pledge commitment by a donor to contribute a defined dollar amount to David’s House in a future period is recognized as revenue on David’s House financial statements at the time such a commitment is made. Pledges Receivable is the balance sheet account that will be used to identify these commitments. An allowance for bad debt will be recorded along with the pledge based on collection experience. The following schedule outlines a course of action that will be taken for pledge commitments in arrears:

30 days in arrears	Development Director sends a letter to the donor
60 days in arrears	Development Director sends follow up letter to the donor
90 days in arrears	The Finance Manager will make an entry to remove the unpaid pledge as a current asset within the financial statements

ACCOUNTS RECEIVABLE

Payment commitments received prior to the actual receipt of cash will be entered into the accounting system as an Accounts Receivable by the Finance Manager. The Finance Manager will also prepare and distribute accounting system invoices as needed. An accounts receivable aging report will be printed and reviewed monthly with follow up initiated by the Finance Manager for payments in arrears. Items in this category generally include fees for service, event sponsorships and souvenir sales. Items in this category are identified as Accounts Receivable on the financial statements.

CREDIT CARD PAYMENTS

The terminal for processing credit card payments is located in the Finance Manager’s office which remains locked whenever the office is unoccupied. Credit card receipts made through card swipes or through online donations are recorded daily in the same manner as other cash receipts, but on a separate Deposit Summary report.

In accordance with Payment Card Industry Data Security Standards, personal credit card information including full account numbers, security codes and expiration dates will be retained only for a reasonable period of time (generally no more than 3 business days) to execute a donor approved transaction. After processing this information will be removed from the authorization form or approval slip and destroyed by the Finance Manager. Processing of credit cards payments will be limited to David’s House staff only.

Board Approved: 6/30/09

PAYROLL PROCESSING AND MANAGEMENT

The following system outlines the controls used to ensure that David's House staff are paid in a timely and accurate manner and that all regulatory reporting obligations are met by the organization.

FREQUENCY

David's House pays its employees on a bi-weekly basis (26 times per year). Pay periods begin on a Saturday, end on a Friday and are for a 2 week period. Pay days are the first Wednesday following the end of a pay period.

RECORD KEEPING METHOD

Hourly staff maintain a timesheet that identifies days worked, hours worked and any paid holiday, vacation or sick time used. Salaried staff maintain a timesheet that identifies days worked, paid holidays, vacation and sick time used. These records are signed by each employee and submitted to their supervisor for approval before processing.

DIRECT DEPOSIT

All David's House employees have the option of having their pay directly deposited to one or more bank accounts of their choice. Staff must complete a Direct Deposit Authorization form identifying their accounts and submit to the Finance Manager. The Finance Manager will ask the processing bank to pre-note the account for verification before transmitting any payments to that account. Employees may request changes to their direct deposit status at any time. Live payroll checks may also be processed at an employee's request.

PROCEDURE

By 11:00 AM on the Monday following the end of a pay period each supervisor will collect their staff's timesheets, review for accuracy and submit to the Finance Manager. By 2:00 PM The Finance Manager will enter the information into the accounting system, prepare a payroll summary, review for accuracy and initiate the direct deposit. A schedule showing the net amount of pay due each employee is then reviewed by the Executive Director and faxed to the processing bank for approval. If a holiday falls on the Monday before a pay date, then timesheets will be collected, processed and information will be submitted to the bank on the preceding Friday (with Wednesday still being the effective paydate)

PAYROLL TAXES

Payroll taxes due are calculated by the Finance Manager and remitted to the United States Treasury Department via EFTPS (Electronic Federal Tax Payment System). The Executive Director will review and sign the calculation before submission. Payments are to be remitted in a timely manner in accordance with the deposit schedule established by the Internal Revenue Service.

PAYROLL REPORTING

Quarterly 941 and State of New Hampshire Wage Reports are completed by the Finance Manager using data extracted from Quickbooks. The reports are signed by the Executive Director and are to be mailed in a timely manner. W2 forms and annual Social Security reports are prepared by the Finance Manager and are to be submitted in a timely manner. On an annual basis the Finance Manager will prepare a report reconciling the 941 reports to the Corporation's general ledger for the Auditors.

Board Approved: 6/30/09

FIXED ASSET MANAGEMENT

The following system is designed to properly identify and safeguard David's House fixed assets, to ensure properly prepared financial statements and to implement a strategy for asset replacement.

DEFINITION

Purchased fixed assets are defined as items having a unitized cost of \$2,500 or more. Donated fixed assets that are items that have a fair market value of \$ 2,500 or more at the time the donation is made.

CATEGORIES

Fixed asset acquisitions are entered into the accounting system under one of the following balance sheet categories.

Building (code #1312): Facility that is used for guest housing and services

Building Improvements (code #1315): These are generally contractual costs that add at least 2 years of life to an asset beyond what was originally scheduled or expands either the use or efficiency of the asset.

Construction in Progress (code #1316): Progress costs related to asset acquisition or construction will be charged to this account until completion at which point the entire cost will be classed appropriately and depreciation will commence based on the total cost.

Office Equipment (code #1317): These are items used primarily by staff for administrative, guest service, volunteer and fundraising functions

Machinery and Equipment (code #1318): These are generally tangible items that assist with building maintenance, comfort and functionality

Garage (code #1319): Building used primarily for vehicle/maintenance storage

Playground (code #1320): Installed outdoor recreational apparatus

Furniture and Fixtures (code #1321): Tangible items purchased primarily for guest use within the house

Computer Equipment (code #1322): Information and communication management items such as servers, firewalls, routers and workstations that function within a designed network environment will be capitalized, even if unitized costs fall below the capitalization threshold. Subsequent purchases however (peripherals, memory upgrades etc.) will be expensed vs capitalized.

Artwork (code #1325): Decorative painting or sculpture

PROCUREMENT OF FIXED ASSETS

Fixed asset additions are purchased with Board of Directors approval. Approval occurs with the adoption of an annual capital budget. The Finance Director maintains a replacement schedule that is reviewed annually in conjunction with annual budget planning.

If non budgeted capital item purchases become necessary, staff will seek Finance Committee and Board of Directors approval prior to acquisition.

For items costing \$2,500 - \$25,000, David's House staff will obtain at least 2 written quotes where possible and make a selection using price, quality, support and reputation as key decision making factors.

Written bids will be solicited for capital items costing \$25,000 or more. Written specifications, instructions and timeframes will be provided to all appropriate vendors. Responses will be documented, analyzed and a purchase decision will be made based on price, quality, product support and reputation.

AGGREGATE PURCHASING

When multiple items are purchased that offer substantially more functionality aggregately (i.e. computer network, conference table and chairs), the total acquisition cost will be capitalized as a single unit if greater than \$2,500. Subsequent component purchases (30 days or later) will be expenses unless the unitized purchase meets our capitalization threshold,

MONITORING

All capital purchases will be added to a fixed asset schedule maintained by the Finance Director. Each item will be assigned a unique control number, photographed and, where applicable, have a label affixed identifying the item as David's House property. Invoices and other relevant documentation (warranties, registration, instructions) pertaining to the acquisition of a capital item will be centrally filed, separate from non capital purchases, and retained over the life of the acquired asset.

DEPRECIATION

The fixed asset schedule will also include a schedule for depreciation to be charged on a monthly basis, beginning in the actual month an asset is acquired. A straight-line depreciation method is used to amortize the cost of each asset over its useful life. The following schedule identifies useful life methods used for each asset category.

Buildings	40 years
Building Improvements	5-40 years
Equipment, Furniture and Fixtures	3-20 years
Artwork	infinite, not amortized

PHYSICAL INVENTORY

A physical inventory of all David's House fixed assets will be performed during the last quarter of each fiscal year by the Finance Director and House Manager. Staff will identify each item's existence, condition and visibility of the identification sticker where applicable. A summary of physical inventory findings along with any adjustments will be prepared and made prior to the close of each fiscal year.

USE AND CARE OF DAVIDS HOUSE ASSETS

When a fixed asset is in the care of an employee or volunteer they must take reasonable and prudent measures to safeguard that asset. Examples of proper safeguarding of David's House assets include:

- keeping the van locked when not in use
- keeping equipment free from unfavorable conditions (i.e. extreme heat, cold, dirt or other conditions)
- making sure equipment is properly stored and secured when not in use
- notifying appropriate staff if equipment is not working properly
- In the case of computer equipment, ensuring that confidential information is protected at all times

Under no circumstances may David's House assets be sub-lent to individuals for non-organizational benefiting purposes.

Employees or volunteers may be liable for the damage or destruction of David's House property that results from improper care or neglect.

DISPOSAL OF FIXED ASSETS

The disposal of fixed assets from David's House must follow the procedure according to circumstance outlined below.

Circumstance	Process
Item has achieved or exceeded its planned life and has no residual value.	The Finance Director must approve the disposal and item must be disposed of in the most efficient manner and in compliance with all applicable regulations
Item has achieved or exceeded its planned life but is believed to still have some residual value as determined by Executive Director, Finance Director or House Manager.	It must first be determined if the item can still provide value to David's House in a limited or backup capacity. The Executive Director must approve disposal method if trade, donation or sale via auction on an as is/carry out basis is recommended. The Finance Director may approve disposal method if recycling or destruction is recommended.
Item has not achieved or exceeded its planned life	Disposal and method used must be pre-approved by the Finance Committee. Request for such approval must include justification as to why the capital item is being disposed of prior to its planned life realization.

Board Approved: 6/25/14

CAPITAL REPLACEMENT RESERVE STRATEGY

PURPOSE

To ensure that David's House continues to operate a safe and comfortable facility for its guests by annually reviewing, modifying and implementing a capital replacement schedule and ensuring that adequate resources are made available to implement that plan.

CAPITAL REPLACEMENT DEFINITION

Any unit with an itemized cost of \$1,000 or more, or renovations that have an aggregate cost of \$1,000 or more that adds life or value to the facility.

PROCEDURE

The Finance Director will maintain a schedule of replaceable fixed assets. This schedule shall include a description and location of each item, the original date of purchase, acquisition cost, estimated replacement cost, accounting for inflation, and the fiscal year the item is projected to be replaced.

In preparation for developing the annual budget, the Finance Director will review this schedule with staff and the Buildings and Grounds Committee by April 15 and make necessary modifications to the schedule based on need and condition of each item. A capital budget will then be prepared and submitted to the Finance Committee for review/comment in May before presentation to the Board of Directors for approval.

On an annual basis, the Finance Committee will review and analyze the amount of property and contents insurance secured and seek independent confirmation that the levels purchased ensures adequate facility replacement in the event of a catastrophic and unexpected loss.

Non capital replacement items will be programmed into the operating budget on an annual basis and justified by the staff of David's House to the satisfaction of any and all interested governing bodies.

David's House will maintain separate cash accounts for asset replacement funds. The balance maintained in these accounts should be equal to or greater than the accumulated depreciation of all identified replaceable assets. If funds are insufficient to cover this balance, then depreciation will be programmed into the operating budget as an operating expense and funds will be transferred monthly until account is adequately funded. An analysis of the fund's cash balance relative to the replacement schedule will be prepared quarterly by the Finance Director and presented to the Finance Committee and Board of Directors. If the cash balance in the replacement reserve exceeds the accumulated depreciation of replaceable assets by

more than 25%, the Finance Committee will make a recommendation to the Board of Directors regarding this money's designation.

At no point will the replacement fund's cash balance be allowed to drop below the accumulated depreciation of replacement assets without Board of Directors approval.

Board Approved: 3/15/11

ANNUAL AUDIT AND IRS FORM 990 REVIEW

The Finance Committee will also serve as the agency’s Audit Committee and will oversee the audit process including: approval and dissemination of a Request for Proposal for audit services every five years, selection of qualified independent auditor, review of audit reports and management recommendations and oversight of systems and procedures implemented to address any audit findings or recommendations.

On an annual basis David’s House will contract with a qualified independent public accountant to audit the organization’s financial statements and accounting systems in accordance with generally accepted auditing standards.

With respect to the fiscal year cycle, the following schedule will serve as a guideline for key audit activity task completion.

Date	Event
June 5	Pre-Audit meeting between auditing firm and David’s House representatives
June 30	Fiscal Year Closes
By July 20	All accounts payable, accounts receivable and any adjustments are entered into QuickBooks
By August 10	Auditor Field Work begins
By August 20	Auditor Field Work concludes
By September 5	Audit draft is presented to Board President, Executive Director, Finance Director and Treasurer for review
By September 10	Edits, changes and questions are resolved and approval is given to prepare draft that will be disseminated to Finance Committee
By September 15	Audit draft is submitted to the Finance Committee for review
At September Finance Committee Meeting	Representative from audit firm will attend meeting to present the contents of the audit report and answer questions
At September Board Meeting	With Finance Committee approval and summary, Board of Directors will vote to accept audit report. Every other year the auditor will be asked to make a formal presentation to the Board as well
By October 15	Auditor will provide David’s House with specified number of final audit reports, any mapping schedules or workpapers requested and electronic version of the report
By October 20	Auditors will provide David’s House with draft of Form 990
By October 31	Form 990 will be submitted to Board and Finance Committee members for review who will have 7 days to review report and pose questions.
By November 15	Form 990 is filed with the Internal Revenue Service

This schedule is meant to be a general guideline and may be modified at the discretion of David's House Management provided that oversight Committees have a reasonable amount of time to review reports before they are filed or finalized and provided that all required reports all filed with regulatory agencies by their due date.

DISTRIBUTION AND REVIEW OF IRS FORM 990

This procedure is adopted in response to Question 10 of Part VI of IRS Form 990, which asks, "Was a copy of the Form 990 provided to the organization's governing body before it was filed?" and which requires the Organization to describe "the process, if any, the organization uses to review the Form 990".

An electronic copy of David's House annual IRS Form 990 will be distributed electronically to each member of its Board of Directors and Finance Committee (including all required schedules) at least one week before the Organization submits the form to the Internal Revenue Service. At a Board or Finance Committee member's request, a copy will be mailed to them on the same day the return is sent electronically. Each Board and Committee is asked to review the form for accuracy and completeness and ask questions regarding any possible errors, omissions, or discrepancies they observe. All questions shall be directed to the Finance Manager who will provide a response, or seek an appropriate response, before the return is filed.

The Organization shall exercise all reasonable efforts to respond to any such questions and to make whatever revisions are necessary to the form to ensure its accuracy and completeness, before submitting the form to the Internal Revenue Service.

No Committee member shall provide a copy of the form or disclose any of its contents to anyone other than the Executive Director, Finance Manager or fellow Board or Committee member without the consent of the Board President.

Any request to review form 990 by donors, funding sources, regulatory agencies or other parties must be made in writing. Such requests will be honored without providing schedules that include individual donor information and/or contributions. Requests to view those specific schedules must be made in writing and approved by the Executive Director.

Board Approved: 6/30/09

INTERNAL AND EXTERNAL REPORTING

STATE OF NEW HAMPSHIRE

David's House is required to file an Annual Report with the State of New Hampshire Attorney General's Charitable Trusts Unit. The Finance Manager will be responsible for acquiring and/or preparing required schedules, preparing a check for filing fees, obtaining the Treasurer's Signature and ensuring that the report is filed in a timely manner.

GRANT, FOUNDATION AND DONOR REPORTING

The Development Director maintains a calendar of required report due dates to funders/donors. The Development Director will request appropriate information from the Executive Director (i.e. house utilization), House Manager (maintenance records) and Finance Manager (Finance summary/detail) necessary to complete reports required by any grant/donor agreement. Completed reports are submitted in a timely manner by the Development Director who will request approval for extensions if a reporting timeframe is not able to be met due to circumstances beyond the organization's control.

INTERNAL REPORTING

On a monthly basis the Finance Manager will prepare a finance report comparing monthly and annual actual to budget reports for the House Manager (maintenance and house operations line items) and Development Director (fundraising and public relations line items). These reports will be distributed by the 15th day of each month. Each staff member will initial and date their report and return with any questions to the Finance Manager to be filed along with other monthly schedules. The Executive Director will also receive copies of these functional reports. The Finance Manager will also respond to any additional reporting request made by staff members within a reasonable amount of time relative to the request (generally 3 business days)

Board Approved: 6/30/09

DOCUMENT RETENTION AND DESTRUCTION POLICY

This policy is adopted in response to Question 14 of Part VI of IRS Form 990, which asks if the Organization has adopted such a policy in writing.

GENERAL RULE OF RETENTION

The Organization and its directors, officers, employees and volunteers shall retain the various records of the Organization for the time periods provided by the following Record Retention Schedule or longer. Although any record may be retained for a time period longer than stated on the attachment, a record falling within one of the categories listed on the attachment should not be destroyed or disposed of at an earlier time without the consent of the Board of Directors.

ADMINISTRATION OF RETENTION SCHEDULE

The Executive Director of the Organization is the officer in charge of the administration of this Policy and the implementation of processes and procedures to ensure that the Record Retention Schedule is followed. The Executive Director shall also monitor local, state and federal laws affecting record retention; annually monitor compliance with this Policy; and propose modifications to the Record Retention Schedule from time to time as necessary for compliance with local, state and federal laws.

AUTHORIZATION FOR DESTRUCTION OF RECORDS

Even if the retention period listed on the Record Retention Schedule for a particular record has ended, the record shall not be destroyed or disposed of by any director, officer, employee, or volunteer without authorization. The Executive Director shall have the general authority to authorize destruction or disposal of records for which the retention period on the Record Retention Schedule has ended, unless the Board of Directors has limited such authority with respect to a specific record or class of records or delegated such authority with respect to a specific record or class of records to another officer or committee. The passage of the retention period listed at Attachment A does not require the destruction or disposal of the record. Unless the person or committee authorized to authorize the destruction or disposal of the record authorizes it, the record shall be retained.

PROCEDURES FOR DESTRUCTION OF RECORDS

Records authorized for destruction or disposal should be destroyed or disposed of in a manner which protects the privacy of confidential information of the Organization, its directors, officers, employees, volunteers, and the individuals it serves. If a record slated for destruction or disposal contains any private or confidential information, such as a social security number, personal address, medical information or medical records, banking information, compensation figures, discussions of personal matters, etc., the record shall be shredded or burned (if in hard copy form) or permanently deleted (if in electronic form). Records not containing any private or confidential information may be shredded, burned, deleted, or placed in the garbage. The Organization shall immediately suspend the destruction of any records which are the subject of or pertinent to any pending or threatened litigation or audit or any injunction or directive against destruction by any court or legislative or administrative body having jurisdiction in the matter. Such suspension shall remain in effect until the Board of Directors,

with the advice of legal counsel, determines that destruction is legal and warranted, and until any prohibition on destruction has been lifted by the court or legislative or administrative body.

DOCUMENTATION OF DESTRUCTION

The Organization shall make reasonable efforts to maintain a general listing of records destroyed or disposed of. The listing shall contain the date of the action and a general description of the records destroyed or disposed of.

RECORD RETENTION SCHEDULE

This schedule applies to both physical and electronic documents. If no physical copy of an electronic document is retained, the means to “read” the electronic document must also be retained.

A. ACCOUNTING AND FINANCE

Record Type	Retention Period
Accounts payable & accounts receivable ledgers and schedules	7 years
Treasurer reports, reports of Finance Committee	3 years
Annual audit reports, Treasurer reports, and financial statements	Permanent
Annual Audit Records, including work papers and other documents that relate to the audit	7 years after completion of audit
Bank statements and cancelled checks, check register, investment statements, credit card receipts	7 years
Employee Expense Reports	7 years
General Ledgers	Permanent
Notes Receivable ledgers and schedules	7 years
Investment Records	7 years after sale of investment

B. CONTRACTS

Record Type	Retention Period
Contracts, mortgages, leases, purchase orders, and related correspondence (including any proposal that resulted in the contract and all other supportive documentation)	7 years after expiration or termination

C. CORPORATE RECORDS

Record Type	Retention Period
IRS Form 1023 and attachments and all related correspondence from the IRS	Permanent
Articles of Incorporation and all amendments thereto	Permanent
Bylaws and all amendments	Permanent
Minutes of annual and special meetings of Board of Directors and committees	Permanent
Legal correspondence (advice and opinion letters)	Permanent
Insurance claims	7 years
Accident reports	7 years

D. E-MAILS.

Not all email needs to be retained, depending on the subject matter.

* Except as otherwise described in this Policy, e-mails older than 6 months shall be deleted or moved to hard copy or electronic storage. Any e-mail the content of which falls into a category listed elsewhere in this Policy shall be destroyed only in accordance with the applicable portion of the Policy.

* The Organization will archive e-mail for six months after the staff has deleted it, after which time the e-mail will be permanently deleted.

* All business-related email of the Organization should be downloaded to a service center or user directory on the server.

* Staff will not store or transfer Organization-related e-mail on non-work-related computers except as necessary or appropriate for purposes of the Organization.

* Any e-mail which staff deems vital to the performance of their job should be copied to the staff's local drive folder, and printed and stored in the employee's workspace.

E. PAYROLL DOCUMENTS

Record Type	Retention Period
Employee Deduction Authorizations	4 years after termination
Payroll Deductions	5 years after the date the tax is due or paid, whichever is later
W-2 and W-4 Forms	Termination + 7 years
Garnishments, Assignments, Attachments	Termination + 7 years
Payroll Registers (gross and net)	7 years
Time Cards/Sheets	2 years
Unclaimed Wage Records	6 years

F. PERSONNEL RECORDS

Record Type	Retention Period
Commissions/Bonuses/ Incentives/Awards	7 years
EEO- I/EEO-2 - Employer Information Reports	2 years after superseded or filing (whichever is longer)
Employee Earnings Records	Separation + 7 years
Employee Handbooks	1 copy kept permanently
Employee Personnel Records (including individual attendance records, application forms, job or status change records, performance evaluations, termination papers, withholding information, garnishments, test results, training and qualification records)	6 years after separation
Employment Contracts – Individual	7 years after separation
Employment Records - Correspondence with Employment Agencies and Advertisements for Job Openings	3 years from date of hiring decision

Employment Records - All Non-Hired Applicants (including all applications and resumes - whether solicited or unsolicited, results of post-offer, pre-employment physicals, results of background investigations, if any, related correspondence)	2-4 years (4 years if file contains any correspondence which might be construed as an offer)
Job Descriptions	3 years after superseded
Personnel Count Records	3 years
Forms I-9	3 years after hiring, or 1 year after separation if later
Workers compensation documentation	10 years

G. PROPERTY RECORDS

Record Type	Retention Period
Deeds	3 years after releasing ownership in property
Assessments, Licenses, Rights of Way	3 years after releasing ownership in property
Property Insurance Policies	3 years after expiration

H. TAX RECORDS

Record Type	Retention Period
Tax-Exemption Documents and Related Correspondence	Permanent
IRS Rulings	Permanent
Excise Tax Records	7 years
Payroll Tax Records	7 years
Tax Bills, Receipts, Statements	7 years
Tax Returns - Income, Franchise, Property	Permanent
Tax Workpaper Packages - Originals	7 years
Sales/Use Tax Records	7 years

Annual Information Returns - Federal and State	Permanent
IRS or other Government Audit Records	Permanent
IRS Form 990 and attachments	Permanent

I. CONTRIBUTION RECORDS

Record Type	Retention Period
Records of Contributions	7 years
Documents evidencing terms, conditions or restrictions on gifts	7 years after compliance
Grants (unfunded)	
Grants (funded)	7 years after closure

J. GUEST / PATIENT FILES

Record Type	Retention Period
Check-in application, guest contact information, drivers license numbers, personal picture ID, copies of donation receipts, check out information, community connection	Upon guest checkout, folders will be moved to temporary file storage for one year. Destroy after 3 years.
Electronic data base Personal data, patient and guest, diagnosis, ethnicity, vehicle registration info, donation receipts	7 years from check out date
Waiting Lists	3 years. Back up 7 years
Census reports	7 years

Board Approved: 6/30/09

INFORMATION MANAGEMENT AND SECURITY

PRIVACY POLICY

David's House recognizes the importance of protecting the privacy of nonpublic personal information provided by any friend or guest. We do not sell, rent, share, or otherwise disclose mailing lists or other personally identifiable information to any third party.

All records containing sensitive data such as personnel files, payroll records and donor information will be secured in a locked area and should not be readily accessible by unauthorized persons. Access to sensitive information will be strictly limited to staff whose access to such information is essential to perform their job duties.

ELECTRONIC DATA

Files stored on local hard drives of all staff computers will be backed up on a daily basis by the Finance Manager. A separate tape will be designated for each business day of the week (excluding Fridays) to be used for daily backups. A separate tape will be designated for use each Friday of the month to serve as a weekly backup. The previous day's backup, and latest weekly backup, will be taken off site by the Finance Manager. In the Finance Manager's absence, the Executive Director will take the previous day's backup tape off site. Any messages received of backup failures are to be reported to the Finance Manager immediately who will investigate and correct the issue.

PASSWORD MANAGEMENT

All passwords used to conduct David's House business are to be reported to the Executive Director to be kept in the safe. All password changes must be reported to the Executive Director as well.

SECURITY BREACH

Any suspected breach of security with respect to David's House confidential data or violation of its Privacy Policy should be reported to the Executive Director immediately who will conduct an investigation, or assign a staff member to conduct an investigation, and make recommendations for Breach containment and security enhancements.

Board Approved: 6/30/09

INSURANCE AND BONDING

Proper levels of insurance will be maintained at all times to cover David's House assets and operations. The following minimum levels of coverage will be maintained.

<u>Property</u>	<u>Coverage</u>
Building	2,185,000
Business Personal Property	135,000
Business Income	50,000
<u>Liability</u>	
General Liability (per occurrence)	1,000,000
General Liability (aggregate)	2,000,000
<u>Crime</u>	
Employee Dishonesty	100,000
<u>Directors and Officers</u>	5,000,000
<u>Business Auto</u>	
Liability	1,000,000
Uninsured Motorists	1,000,000
Collision Coverage	Cash value or cost of repair
<u>Umbrella</u>	
Bodily Injury and Property Damage	1,000,000
Non-Owned Autos	1,000,000
Hired Autos	1,000,000
<u>Workers Compensation and Employer's Liability</u>	
Workers Compensation	as mandated by State law
Bodily Injury by Accident	500,000
Bodily Injury by Disease	500,000

RENEWAL

The effective period for insurance coverage will run concurrent with our fiscal year and will span a term of 1-3 years depending on coverage needs and cost benefit. The Executive Director will have primary responsibility for negotiating coverage renewal and will seek Board of Director approval prior to renewal execution.

INCIDENT REPORTING

All incidents resulting in possible property damage or injury must be reported within 24 hours to the Finance Manager using the organization's Incident Report Form. The Finance Manager will review the report ensuring that enough information has been collected pertaining to the date and time of the incident, name of individuals involved, description of injury or damage sustained, name of individual providing information and initial measures taken. The Finance Manager will notify the Claims Department of David's House insurance agent within 24 hours of being notified of the incident.

GUEST CONCERNS

Guest comments, concerns or observations of matters that could cause potential property damage or injury should be immediately reported to the House Manager who will review the matter and take a reasonable course of action to ensure guest safety and house operations.

Board Approved: 6/30/09

COMPENSATION DETERMINATION

This Policy shall govern the establishment of compensation for the Organization's top management official, officers, and key employees. This policy is adopted in response to Question 15 of Part VI of IRS Form 990, which asks whether the Organization has adopted these processes for determining compensation. The policy is also adopted so that the compensation determinations may enjoy the rebuttal presumption of reasonableness available pursuant to section 53.4958-6 of the Code of Federal Regulations.

A. Definitions. For purposes of this policy, the following terms are defined as follows:

1 Top management official. The person who has ultimate responsibility for implementing the decisions of the Organization's Board of Directors or for supervising the management, administration, or operation of the Organization (for example, the Organization's CEO or Executive Director).

2 Key employee. An employee of the Organization (other than an officer, director, or trustee) who receives reportable compensation from the Organization and all *related organizations* of over \$60,000 per year and exercises substantial influence or authority over the Organization.

3 Fiduciaries. The top management official, officers, and key employees of the Organization.

B. Establishment of Compensation Committee. A Compensation Committee is hereby established to review and approve or disapprove (a) the Organization's payment of compensation to fiduciaries of the Organization; (b) the Organization's transfer of property to any fiduciary; and (c) authorizations by the Organization for a fiduciary to use the Organization's property.

1. Number; Eligibility. The Compensation Committee shall consist of the Executive Committee and Human Resource Committee Chair. Only individuals having no conflict of interest shall be eligible to serve on the Committee. An individual shall be determined to have a conflict of interest if:

(a) the individual is participating in or economically benefiting from the compensation arrangement or property transfer under consideration or is a member of the family of an individual who is participating in or economically benefiting from the arrangement or transfer;

(b) the individual is in an employment relationship subject to the direction or control of an individual participating in or economically benefiting from the compensation arrangement or property transfer under consideration;

(c) the individual receives compensations or other payments subject to the approval of a person participating in or economically benefiting from the compensation arrangement or property transfer under consideration;

(d) the individual has a material financial interest affected by the compensation arrangement or property transfer; or

(e) the individual approves a transaction providing economic benefits to any person participating in the compensation arrangement or property transfer, who in turn has approved

or will approve a transaction providing economic benefits to the committee member.

1 Election; Term. The Board President shall appoint the Human Resource Committee Chair, who shall serve a two-year term of office. Each Committee member's term shall commence immediately upon his or her election. The Executive Committee is comprised of the officers of the Board (President, Vice President, Treasurer, and Secretary) who are nominated by the Nominations Committee and elected by the Board at the regular meeting following the annual meeting of the members. The officers terms are one year and/or until their successors are elected or appointed and qualified.

2 Removal. Committee members may be removed by majority vote of the Board of Directors only for cause, such as dereliction of duties or engaging in conduct that is detrimental to the image or purposes of the Organization. In no event may a committee member be removed for his or her deliberations or recommendations regarding compensation unless his or her recommendations are demonstrably and grossly erroneous or negligent. The unexpired term of any committee member so removed or resigning shall be filled by an individual appointed by majority vote of the Board of Directors of the Organization.

3 Compensation of Committee Members. Members of the Compensation Committee shall not receive any compensation for their services to the Organization.

4 Recusal of Members. The Compensation Committee shall not establish compensation for any individual who is a member of a Committee member's family or a business associate of a Committee member or any individual who has any direct or indirect influence over or power to determine the compensation or revenues of any Committee member, unless the Committee member fully recuses himself or herself from all deliberations and voting regarding the matter.

C. Committee's Review of Compensation and Property Transfers. The Board of Directors of the Organization shall direct the Compensation Committee to review any compensation arrangement or property transfer to any fiduciary of the Organization before the Board of Directors authorizes such compensation or transfer of property.

1. Standard of Review. The Committee shall not approve any compensation that is not reasonable, nor shall it approve any property transfer to a fiduciary in which the Organization receives less than fair market value for the transfer.

(a) Determining Reasonable Compensation. In the case of compensation, the Committee shall determine whether compensation paid by the Organization to a fiduciary is "reasonable". **For purposes of this policy, compensation is reasonable if an amount that would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances.** For purposes of this policy, "compensation" includes all forms of cash and noncash compensation provided by the organization in exchange for the fiduciary's services, including salary, fees, bonuses, severance payments, and deferred and noncash compensation, medical and dental insurance, life insurance, severance pay, disability benefits, and below cost loans.

(b) Determining Fair Rental Value of Property Transfers. In the case of a transfer of property to a fiduciary or authorization for a fiduciary to use property, the Committee shall determine whether the transfer is at fair market value. For purposes of this policy, "fair market value" is defined as the price at which property or the right to use property would change

hands between a willing buyer and a willing seller, neither of whom is under any compulsion to buy, sell or transfer property or the right to use property, and both of whom have reasonable knowledge of relevant facts.

2. Basis for Determination. In order to make the determination of whether compensation is reasonable and whether a transfer of property is at fair market value, the Compensation Committee shall obtain, review, and rely upon “comparability data”. Comparability data is information sufficient to allow the Committee to make these determinations, given the knowledge and expertise of the Committee members.

(a) Relevant information regarding proposed compensation arrangements includes, without limitation:

- * compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions;
- * the availability of similar services in the geographic area of the applicable tax-exempt organization;
- * current compensation surveys compiled by independent firms; and
- * actual written offers from similar institutions competing for the services of the employee in question.

(b) Relevant information regarding proposed transfers of property includes, without limitation:

- * current independent appraisals of the value of all property to be transferred; and
- * offers received as part of an open and competitive bidding process D.

Documentation of Committee Decisions. The Compensation Committee shall adequately document the basis for its determinations and shall do so in a timely fashion.

1. Contents of Documentation. The Committee shall prepare handwritten or electronic records to document its determinations. The records shall contain, at minimum, the following items:

- (a) The terms of the transaction that was approved;
- (b) The date the transaction was approved;
- (c) The names of the members of the Committee who were present;
- (d) The names of the members of the Committee voting to approve the transaction;
- (e) The comparability data obtained and relied upon by the Committee;
- (f) How the comparability was obtained;
- (g) Whether any member of the Committee was required to recuse himself / herself from deliberations, and if so, who.
- (h) The basis for any determination that reasonable compensation for a specific arrangement or fair market value for any specific property transfer is higher or lower than the acceptable range provided by the comparability data.

2. **Deadline for Documentation.** The aforementioned documentation shall be prepared and approved by the Committee members within forty-five (45) days following the meeting at which the Committee approves and compensation or property transfer.

Board Approved: 6/30/09

DAVID’S HOUSE LONG TERM INVESTMENT POLICY

Policy Statement

The goal of the investment policy of David’s House is to provide for the preservation, growth, and safety of the organization’s investment assets as designated by the Board of Directors while allowing for a prudent level of annual endowment withdrawals to be made in support of the Organization’s operating budget and strategic goals.

Investment Policies

The investment objective is to provide a total rate of return over the long term sufficient enough to provide for both the current annual spending draw of David’s House while also seeking to protect the purchasing power of the assets after inflation. To meet this objective, funds shall be invested in a diversified portfolio of yield-producing investments for current income and growth over time through the use of sound investment management practice, while accepting a modest degree of risk.

It is recognized that any investment program contains a component of risk. Investment risk is defined as deviation from average market returns. Normal financial market volatility (system risk) is to be expected and is not considered a part of this definition of risk. The need to disallow speculative investments and emphasize good quality is specifically recognized.

Diversification to avoid an unreasonable concentration in any one asset or sector (unsystematic risk) is an integral part of this investment policy.

Current asset class ranges to be maintained in attempting to meet the above objectives are as follows (expressed as a percentage of total portfolio value):

	<u>Range</u>	<u>Target</u>
Cash & equivalents and short-term bonds maturing within 1 year	0-10%	5%
Bonds or other “Fixed Income” Securities	30-60%	35%
Equity and related securities	50-65%	60%

Cash and equivalents may include bank certificates of deposit, money market instruments and savings accounts as appropriate within FDIC insurance limits. At any point in time, holdings in cash and equivalents and short-term bonds maturing within one year should be sufficient to cover the annual withdrawal needs of the Organization.

Fixed income securities are restricted to obligations of the US Treasury, US Government-back securities, and mutual funds with an investment grade of S&P rated BBB or better. Individual bond holdings are expected to have a rating of A or better.

Within the equity portion of the portfolio, the majority of the investments will be in the stocks of US large and mid capitalization companies (at least \$2 billion market capitalization) with consistent earnings, financial strength and dividend growth. To enhance diversification, small-cap investments while allowed, shall not exceed 10% of the total value of the

investment portfolio. International equities may be considered but must meet the same criteria as US equity investments and must be listed on an American Exchange. No individual stock shall exceed 5% of the total value of the investment portfolio nor will the exposure in any industry exceed 20%

Mutual funds may be acceptable investment vehicles to provided diversification specifically in the international and small to mid-cap area. The investment advisor may not invest in any mutual fund with a front- or back-end load. Commodity exposure will be limited to mutual funds and exchange-traded funds (ETFs) that are traded on U. S. exchanges and in aggregate shall not exceed 5% of the total value of the investment portfolio.

Direct investments in derivative securities; including, but not limited to, stock options, futures contracts and interest rate and other swap contracts are not permitted. The organization will not invest in startup companies. Any investments that may generate foreign reporting requirements or unrelated business income tax must be approved by the board or its delegates prior to distributing purchase.

Any deviation in asset allocation, other than short term (less than two weeks) variances caused by market price changes in the value of various endowment holdings or the use of any investment vehicle not specifically mentioned herein or the establishment of investment performance goals shall require the prior approval of the Finance Committee with ratification by the Board of Directors. Short term deviations which, as long as they can be remedied in a short period, do not need prior approval. Any deviation of the policies herein with respect to the purchase and sale of securities or the composition of the total investment portfolio by the Finance & Investment Committee will be limited to an amount not to exceed 5% of the portfolio and will be reported to both the Finance and Investment and Executive Committee as well.

As David's House is expected to operate in perpetuity, investments will be made with a long-term orientation (greater than one year). The investment advisor is expected to maintain relatively low turnover in the accounts. The investment advisor should provide some written explanation if the turnover in the equity portion of the account is expected to exceed 35% in any year.

Benchmark

The performance of the investment portfolio will be measure over the long term, measured by the following benchmark:

- 60% Standard & Poors 500 Stock Index
- 40% Barclays Capital U.S. Aggregate Index

Reporting

The investment manager(s) will be expected to outperform its benchmark overtime. Investment return information must be provided at least quarterly. All investment return information will be provided *net of fees*.

The Finance Committee will review the investment manager(s) implementation of the policy at least every six months and preferably quarterly. Managers underperforming the benchmark for more than two successive quarters or by more than 200 basis points for any individual quarter will be asked to provide a detailed analysis of the reasons for the underperformance and strategies being considered to correct the underperformance.

Any changes or exceptions to this Investment Policy, including establishment of investment performance goals, requires the approval of the Board of Directors.

Board Approved: 1/22/14

UNCERTAIN TAX POSITION POLICY

PURPOSE

To implement a system that will identify and disclose any transactions or activities that have the potential to create an uncertain tax position pursuant to Accounting Standards Codification (ASC) 740 and Internal Revenue Service regulations.

DEFINITION

An uncertain tax position may exist if David's House becomes involved in any activities that have the potential to put its tax-exempt status in jeopardy or if the organization earns revenue from activities that are unrelated to its core mission.

RECOGNITION

The Organization will determine whether it is more likely than not (quantified as 50%) that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes based on the technical merits of the position. The organization should presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information.

MEASUREMENT

A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements, and what the adequate IRS disclosure should be.

PROCESS

The Finance Committee will document the following steps taken to evaluate whether any transactions or activities are recognized as having the potential to create an uncertain tax position.

- Identify the specific transactions or activity
- List the key facts related to the issue
- Formulate a discussion on how the facts pertain to ASC 740 and how they form an uncertain tax position
- Determine if it passes the more-than-likely-than-not threshold
- Calculate the amount to recognize for tax filing purposes if necessary
- Formulate and document a conclusion reached on the organization's tax position
- Present findings to the Board of Directors

If necessary, the Finance Committee will seek appropriate technical and legal advice to reach a conclusion that provides the highest level of transparency, integrity and compliance for the organization.

Board Approved: 5/24/11

GIFT ACCEPTANCE AND RECOGNITION POLICY

Purpose

David's House Development Director is responsible for overseeing the solicitation and stewardship of all gifts to David's House and ensuring that the David's House Board of Directors and Executive Director are informed on a regular basis about gift activity. The Finance Director is responsible for receiving, securing, and depositing all gifts. This policy is meant to protect both the donor and David's House and to facilitate the gift-giving process by providing guidance to David's House donor community.

David's House solicits and accepts financial support that will allow the organization to fulfill its mission. The Development Director will identify any gifts with questionable origins, intent or restrictions and will communicate with the donor to gain further information prior to bringing the gift to the attention of the Executive Director and Board of Directors. If the Board of Directors determines that a questionable gift exposes David's House to legal risk, adverse publicity, require expenditures beyond its resources, creates a disproportionate cost or obligation to David's House for the benefit received, or involves it in unexpected responsibilities, it will not be accepted.

General Guidelines

Each proposed gift will be considered carefully, and gifts will be accepted whenever possible. Clear title to the gift and verification of the donor's intent will be determined before acceptance takes place. All gifts accepted must comply with local, state, and federal laws, rules and regulations. The three major authorities that determine gift acceptance are:

1. legal – state law is the primary authority. Federal tax and security laws, etc., may also affect acceptance of gifts.
2. donor – can place restrictions on gifts through a gift instrument document.
3. Board of Directors – has ultimate authority over acceptance and maintenance of gifts.

Negotiating agreements and accepting gifts may be handled by the Executive Director, Board President, and Development Director.

For tax purposes, David's House will acknowledge a donor's true charitable gift with written documentation that states no goods or services were provided in exchange for the gift. Such documentation will include the donor's legal name and address and the donation amount. Whenever possible, David's House will acknowledge receipt of support that does not meet the IRS determination of a charitable donation but helps to support our mission (for example, purchasing an auction item at a fundraising event). In the event a financial transaction occurs which meets both of these occasions, the written acknowledgment will differentiate between which portion qualifies as a true charitable donation and which does not.

David's House urges all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts, including the resulting tax and estate

planning consequences. Likewise, David's House will work with similar advisors on matters relating to acceptance of gifts to ensure best practice is followed.

Types of Gifts

Many types of assets may be used to provide gifts to David's House. A variety of methods of unrestricted and restricted giving allows donors to choose the most appropriate techniques for their circumstances and interests. This includes placing restrictions on gifts through a gift instrument document. Unrestricted gifts do not require a gift instrument unless the donor wishes to add guiding information such as the desire to keep the gift anonymous or to send their donation information to an additional party.

Unrestricted – gifts that can be used as designated by the Board of Directors. Note that the most useful gifts are those with the fewest restrictions. Unrestricted gifts allow David's House to address its most pressing needs.

Temporarily Restricted – gifts that must be used for the specific purpose described by the donor in a gift instrument or some other form of written documentation. A schedule of temporarily restricted funds and their release is maintained by the Finance Director. David's House will make every effort to use these funds for their specified intent within 1 year of receipt. If funds cannot be used for their restricted intent within this timeframe, the Development Director will contact the donor to request a release of the restriction and allow the organization to use these funds for general support. Restriction releases must be obtained in writing. A refusal to release said restriction will be noted, respected and the fund will continue to be monitored by the Finance Director. The Development Director will be responsible for informing donors of this policy. There are occasions when temporarily restricted funds may remain under this designation for longer than the preferred duration if the fund is continuously replenished and serves an ongoing purpose that is directly related to the David's House mission.

Permanently Restricted – gifts whose principal amount must be maintained in perpetuity. Donor must provide documentation directing organization how it may use income realized from corpus donation. These funds are to be deposited into the Permanently Restricted fund within three (3) days of their receipt and the fund must be identifiable on the organization's balance sheet.

Forms of Giving

Current - gifts that will be used within a short amount of time at the discretion of the Board of Directors.

Current gifts further defined –

- Absolute – are not deferred. These gifts follow soon after the commitment is made to make the gift.
- Charitable Lead Trust – irrevocable trust that pays defined amounts of income for a specific term, or for the life of the individual.
- Charitable Lead Unitrust – variable income based on a fixed percentage of the annual value of the trust.
- Charitable Lead Annuity Trust – pays a fixed income based on an initial value of the trust.
- Life Insurance
- Pledges – may be paid over a period of time, limited to three years unless otherwise approved by the Development Director.

Deferred – includes charitable gift annuities, charitable remainder trusts, pooled income funds, and remainder interests in properties.

Cash – Cash gifts are acceptable in any form, including by check or money order (must be made payable to David’s House), credit card, or online. Donors wishing to make a gift by credit card must provide the card type (e.g., Visa, MasterCard, American Express), card number, expiration date, and name of the card holder as it appears on the credit card. David’s House adheres to a data destruction policy that ensures credit card information is kept no longer than necessary to verify that the credit card is charged the authorized amount.

Real Property – land and whatever is affixed to the land, the receipt of which must be reviewed and approved by the Board of Directors. The donor of real property may be asked to complete detailed questions regarding the property including items related to legal title, mortgage debt, interests held by others, environmental risks, restrictions, leases, etc. Prospective donors should be advised that David’s House reserves the right to sell the real estate.

Other Tangible Property – gifts of jewelry, works of art, collections, equipment, and other tangible property. Tangible property must provide a benefit either directly (e.g., items used at David’s House for its charitable purposes) or indirectly (e.g., items to be used to raise support through fundraising if determined to be readily marketable). David’s House will not assign a value to these gifts for tax purposes. Prospective donors should be advised that David’s House reserves the right to sell or otherwise dispose of the personal property.

Tangible donations with an estimated value of \$5,000 or more must be approved by the Board of Directors before acceptance.

Donors who wish to contribute gifts in kind valued at \$5,000 or more may be required to complete IRS Form 8283 which David's House will provide with instructions. The valuation of a gift in-kind is the donor's responsibility. IRS regulations generally require an independent appraisal for gifts in-kind valuing \$5,000 or more. It is the responsibility of the donor to arrange for the appraisal at their expense and to comply with all applicable IRS regulations and requirements.

Intangible Property – gifts that do not have a physical existence and represent an ownership interest in an underlying asset. Publicly traded securities (must be sold upon receipt), securities issued by closely held companies (not publicly traded), and other property not described above (mortgages, notes, copyrights, trademarks, royalties) can be defined as intangible. David's House does not assign an estimated value of intangible property for tax purposes. Gifts of securities will receive an acknowledgement that includes a description of the security, the number of shares donated and the date the gift was received.

Bequest – a gift of any amount or form made to David's House in a donor's will. Cash, and other forms converted to cash, will be deposited into David's House Board Designated quasi-endowment fund within three days of its receipt.

Bequests may be given as unrestricted or restricted gifts. If a gift is accepted with restrictions set by the donor, these restrictions must be documented in writing, as broadly as possible, to avoid detailed limitations and restrictions. The ability to restrict a gift exists only at the time the gift is given. If a donor requests a restricted use at a later time, the Board of Directors must approve the restriction in writing.

Ethical Considerations

All information relating to a gift is confidential and cannot be used as an example for other donors without the written consent of the individual donor(s) involved. Recognition of gifts must be approved by the donor before any announcement to the public is made in any form. At no time will the name of a donor or the amount of their support be released without the prior approval from the donor and the Development Director.

David's House does not pay finder's fees or commissions. Fees for professional services rendered in connection with establishing a gift arrangement that will benefit David's House may be paid with the approval of the Board of Directors.

For items accepted with the intent of converting to financial support through fundraising (raffle, auction), David's House will make every effort to realize as close to full value as possible. Donors will be made aware of David's House intent to use their donation in a fundraising capacity when possible. Board Members, staff and members of their households are prohibited from participating in fundraisers where prizes are awarded by chance (e.g., prize raffles, 50/50 drawings).

Mechanics of Gift Processing, Receipt and Acknowledgment

Gifts whose administration and use are to be directed by donors or other third parties generally will not be accepted. All gifts solicited in the name of, and treated as a gift to David's House, shall be received and expended by David's House according to its fiscal procedures.

Once received from the Finance Director, financial gifts to David's House will be reviewed by the Development Director and recorded in the development database. Restrictions will be noted and attachments to the gift will accompany the donation through the acknowledgment stage and remain on file with the original paperwork, which is returned to the Finance Director once acknowledgements have been made.

Gifts-in-kind valued under \$250 by the donor will be recorded in a log book at the reception area by a volunteer or staff member, and the donor will receive an acknowledgement by a representative of David's House. Gifts-in-kind with a documented value of \$250 or more will follow the same process as outlined above for cash gifts going through the Finance office and Development office.

Gift expectancies (pledges) will be reviewed by the Development Director and recorded appropriately. Once entered into the development database, the donor will receive written acknowledgement that their gift instrument was received, and as payments are remitted, acknowledgements will be sent for tax purposes.

Donors wishing to make a donation of \$10,000 or more will have the option of paying the total over a period not to exceed 36 months on an annual, semi-annual, or quarterly basis. The Finance office will be responsible for sending invoices to donors wishing to take advantage of this option.

The declination of gifts will be done quickly and respectfully.

Stewardship

It is the goal of the development office to recognize all financial gifts with a written acknowledgement to the donor, regardless of donation amount. Written acknowledgements will be prepared by staff or a volunteer and signed by the executive director (or development director in the executive director's absence) and sent to the donor within 10 business days of receipt of the gift unless extenuating circumstances exist, such as excessive volume of gifts needing to be processed at one time. In such a case, acknowledgements will be sent to the donor within 30 days. Gifts-in-kind with an annual cumulative value of \$250 or more will be recorded in the development database in a donor's record, and an acknowledgement will be sent by the development office. Whenever possible, gifts-in-kind under \$250 will be recognized by a personal letter from a member of the staff or volunteer as soon as they are received.

David's House maintains a gift recognition policy that strives to honor the spirit in which gifts are made, while reflecting the organization's values.

Donors who have made a gift of \$250 - \$499 will receive a written acknowledgement as outlined above, as well as a phone call or email from a member of the Development Committee expressing the organization's gratitude for the support. The Development Director will provide committee members with relevant information to ensure the conversation is as personal as possible, while maintaining donor confidentiality.

Donors who have made a gift of \$500 - \$999 will receive a written acknowledgement as outlined above, as well as a phone call or email from a member of the Board of Directors expressing the organization's gratitude for the support. The Development Director will provide committee members with relevant information to ensure the conversation is as personal as possible, while maintaining donor confidentiality.

Donors who have made a gift of \$1,000 or more will receive a written acknowledgement as outlined above, as well as a phone call or email from the president of the Board of Directors expressing the organization's gratitude for the support. The Development Director will provide committee members with relevant information to ensure the conversation is as personal as possible, while maintaining donor confidentiality.

Whenever donors present David's House with a simulated check it will be displayed within the house for a period of no longer than 30 days, at the discretion of the executive director.

Unless otherwise requested, donors will receive communications from David's House in such forms as the newsletter, electronic communications, and annual appeals once an initial donation has been made as a way to keep the donor apprised of how their contribution is benefitting the organization. Said communications will have a mechanism for the donor to opt out of future communications and will thus be coded accordingly in the development database.

Any special event surrounding the recognition of a gift is the responsibility of the Development Director.

Board Approved: 11/28/12

ENDOWMENT GUIDELINES

The following Endowment Guidelines document was adopted by the Board of Directors of David's House (hereafter DH) on January 20, 1997. The document was reviewed for updating and clarity in May 2000, May 2007 and June 2012. DH endowment guidelines should be reviewed by the Board of Directors on an annual basis.

I. ENDOWMENT OVERVIEW

A. Definitions

1. Endowment Funds - Funds created with the intent to preserve the principal and thus only spend the income and a prudent portion of the net appreciation in excess of the Historic Dollar Value.
 - a) Restricted Funds and/or True Endowment - Funds are Restricted if the donor has indicated that the principal is to be preserved. Such gifts may be either Temporarily Restricted or Permanently Restricted. Permanently Restricted Funds are commonly referred to as true endowment funds. The principal is to be preserved in perpetuity.
 - b) Board Restricted Funds or Quasi Endowment - Funds that are not restricted by the donor but are restricted by vote of the Board of Directors so that principal is to be preserved are called Board Restricted Funds or Quasi Endowment. The limitation on use of principal is made by Board vote and can only be changed by Board vote.
2. Designated Funds - A gift is Designated for a particular purpose when a donor or the Board specifies the particular use of the income or principal.
3. Current Use Funds - Gifts are for Current Use if the donor intends that the principal may be used currently.
4. Historic Dollar Value - The original amount of the gift to establish an Endowment Fund is called the "Historic Dollar Value" or the "Historic Book Value".

B. General Guidelines

DH seeks to enhance DH endowment funds by promoting practices that will comply with donor instructions and yet allow the most flexibility in their use in long-term planning and investment. To further these goals DH has developed the following guidelines that apply to endowments.

1. It is the Board's expectation that the Historic Dollar Value of a Restricted Fund shall be preserved in perpetuity. The corpus of restricted funds must be held in an isolated account and not intermingled with other assets.
2. Spending from a Restricted Fund will be subject to the DH Endowment Spending Formula, which is based on a "total return" approach to investing. Under this approach, unless otherwise indicated, DH may spend the income earned and so much of the net appreciation in the fair market value of the Fund in excess of the Historic Dollar Value as is prudent under the standard of conduct governing institutional funds in New Hampshire. **The Finance Committee will determine the actual spending rate in conjunction with the budget process annually.** **The Board of Directors must approve the actual spending rate in conjunction with the budget process annually.**
3. The Uniform Management of Institutional Funds Act permits the Board to use or spend a portion of the net appreciation and to accumulate a portion of the annual net income, unless the applicable gift instrument clearly indicates the donor's intention that net appreciation shall not be expended or that the income shall not be added to the principal. However, a restriction on the expenditure of net appreciation or against accumulation of income may not be implied from a designation of a gift as an endowment fund or from a direction or authorization to apply to the uses and purposes of the fund the "income", "interest", "dividends", "currently expendable income", or "rent issues or profits", or a direction which contains other words of similar import.
4. In making decisions about use of appreciation and accumulation of income, as well as in making and retaining investments, the Board shall consider long and short-term needs of DH in carrying out its purposes, DH's present and anticipated financial requirements, expected total return on DH's investments, price level trends, investment fees, and general economic conditions. A rolling 12 quarter market value average will be calculated and will serve as the anchor for analyzing various portfolio assumptions. The spend rate, which represents cash withdrawn from the portfolio to support operating costs as a percentage of opening market value, may not exceed 4 percent in any given year unless the Board has compelling, well-documented needs to indicate that such an action is prudent.
5. Restricted gifts without a purpose designated by the donor will be classified as "undesignated" for income purposes. Should the donor decide to designate a purpose at a later time, the donor may request to designate the gift and it may be changed to a "designated" gift with the approvals of the President of the Board, the Treasurer, and the Executive Director.

6. Gifts intended as endowment will require a gift instrument signed by the donor to document the donor's intent.

7. When a donor designates the purpose of the fund, the gift instrument must contain an alternate use clause allowing the Board of Directors to decide alternate uses in the event that future circumstances make impractical the use of the income as the donor intended.

8. Because DH seeks gifts to endowment that allow flexibility in long-term use and investment, DH prefers undesignated gifts or those in which the donor merely expresses a preference as to the use.

9. Donors should be advised of the spending formula before they complete their gifts.

II. GOVERNING AUTHORITIES

DH's rights and responsibilities in administering its endowment are determined by three major authorities: Legal, Donor, and Board of Directors.

1. The primary Legal authority is the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The basic premises of this act includes:

- No restriction is placed on investment income or on net appreciation or depreciation in fair value of investments unless imposed by the donor or law.
- Endowment funds shall not decrease below their historic dollar value, defined as the original principal amount.
- Prudent spending and net appreciation appropriation policies are permitted but do not alter donor imposed stipulations.

2. A Donor can specify the terms of an endowment fund by means of a gift instrument, a document signed by the donor that states the donor's intent. A donor can designate the income of that endowment to a specific purpose or, a donor can allow the Board to designate the income for a purpose.

3. The Board has the ultimate authority over the acceptance of gifts and the maintenance and investment of endowment funds. The Investment Committee, the President and the Treasurer are authorized by the Board of Directors to oversee the administration of endowment funds in accordance with our Investment Policy.

III. ENDOWMENT LEVEL REQUIREMENTS

Minimum Endowment (The minimum amount required to establish a named endowment fund is \$25,000. The threshold for a named endowment fund can be met with donor gifts only **and must be completed within a 3-year period.** Neither appreciation of principal nor income returned to principal can be added to a donor's gifts to equal the amount required to establish a named endowment.

Gifts - DH prefers that gifts used to establish endowment funds be in the form of cash or marketable securities. Any other type of gift must have prior review by the Board of Directors.

IV. ENDOWMENT INCOME COMPONENT

A. Income Classifications

Designated - Designated income means a donor has stated in writing that the income can be used only for a specific purpose. Income can be designated at broad levels or at very specific levels. The broader the level of designation, the more flexible is the use of the income by DH. The more narrow the designation, the more likely its purpose will become obsolete, inappropriate or impractical.

Undesignated - This classification indicates that a donor does not wish to limit the purpose of the income of an endowment fund or the purpose for a current use gift. Rather, the donor gives DH the discretion to designate the purpose.

Note: The classifications listed above are the legal income classifications. However, the donor may express a preference at any time. The Board of Directors will endeavor to implement that preference but, legally, the Board is not obligated to honor the preference.

B. Distinction Between Designation and Preference

There is a critical legal distinction between donor "designation" and donor "preference." When a donor "designates" the use of the income in writing, e.g., to building maintenance, then the Board may use the income for building maintenance only. However, if the donor "prefers" that DH use the income for building maintenance and does not require that the income be used for this purpose, then the income will be classified as "undesignated." If the Board agrees to implement that preference, the Board will "designate" the income to building maintenance, but the Board retains the authority to change the designation. The Board generally honors preferences.

A donor may designate the income and also have a preference within that designation. Example: The donor may designate income to building maintenance and also express a preference that the income benefit outdoor maintenance. In this example, the income is designated to building maintenance. But, if the external facilities need maintenance, it can be so used, though DH is not legally required to do so.

When suggesting language to any donor or testator in New Hampshire it is important to choose language that will communicate exactly what the donor or testator intends. If the donor merely prefers a purpose, a suggestion is to state in the gift instrument that it is the “donor’s preference only, not a binding limitation on the purpose of the gift.”

C. Income Guidelines

If DH accepts an endowment fund with a designation, DH is legally bound to honor that designation. Therefore, whenever a designation is proposed by the donor, two questions must be answered:

1. Does the designation support a purpose that DH needs?
2. Is the designation one that DH can implement with administrative ease, or is it so onerous that DH may spend more time administering the designation rather than receiving a benefit from the designation?

Should the donor choose a purpose that is needed, the Executive Director should encourage a description in the gift instrument that is as broad as possible. An alternative use clause must be included so that DH is not hampered by changed circumstances. Detailed limitations and designations should be avoided.

An undesignated gift is desirable because it allows DH the most flexibility in its financial planning.

A donor’s right to designate a purpose for an endowment fund occurs only at the time the endowment fund is established, unless the donor requests additional time to decide on a designation and DH agrees to allow more time. The gift will be classified as undesignated until such time as the donor decides on the purpose which, when made, is an acceptable purpose to DH. A time limit, depending on the circumstances, should be established. Legally, a donor has the right to designate a gift at the time it is offered to DH. Once DH accepts the terms offered by a donor, DH is bound by them, and the donor relinquishes control of the gift unless otherwise approved and specified in the terms of the gift instrument.

V. ENDOWMENT FUND DOCUMENTATION

- A. To establish an endowment fund, DH requires a gift instrument signed by the donor. The purpose of the gift instrument is to record the donor's intent, ensure compliance with the donor's intent, and to provide legal accountability, planning and flexibility.
- B. A broad alternative use clause must be included in a gift instrument whenever a donor designates the purpose of the endowment income.
- C. Whenever an endowment fund is created, DH will permanently maintain thorough documentation of the donor's intent, including but not limited to the gift instrument or other documentation that describes that intent.

Board Approved: 6/26/12