

WORLD COMPUTER EXCHANGE, INC.

FISCAL POLICIES

A. GENERAL ACCOUNTING POLICY & PROCEDURES

Last updated by vote of the WCE Board: 13 April 2008

Proposed amendment in italics and bold (about authorizing bank wires) as of 20 April 2014

1. Operating Authority

The World Computer Exchange By-Laws contain the following provisions for operating authority:

Chairman of the Board: May singly sign checks *or approve bank wires or transfers* for under \$7,500 and for regular pay and benefit payments to unrelated individuals **including the president** and as the Board of Directors shall authorize the execution thereof as long as they are within the annual budget and annual work plan as approved by the Board of Directors. Elected by the Board of Directors to Chair meetings of the Membership and the Board of Directors and to formally communicate positions voted by the Board of Directors. He or she shall set the agenda for and make regular reports on the status of the Corporation to the Board of Directors and the Members. Undertake other duties as voted by the Board of Directors. Sign checks, proposals, contracts and other documents that require the signature of the Board Chair as long as they are within the policies, annual work plan and annual budget as voted by the Board of Directors. He or she annually drafts or establishes the process for the evaluation of the president for review and approval by the Board of Directors. He/she may co-sign, with the president and/or with the Board Chair, *Vice Chair (if there is one), or Vice Treasurer* (if there is one) checks or co-approve bank wires *or transfers* over \$7,500 that are within the policies and annual budget and work plan as approved by the Board of Directors. The Board Chair may from time to time be authorized by vote of the Board of Directors to sign specific checks and agreements alone. The Chair may not be compensated and fulfills the role of 'president' as defined under Massachusetts Chapter 180. *The Board may elect a Vice Chair with the same signing and co-approving authorities.*

Treasurer: May singly sign checks *or approve bank wires of transfers* for under \$7,500 and for regular pay and benefit payments to unrelated individuals **including the president** and as the Board of Directors shall authorize the execution thereof as long as they are within the annual budget and annual workplan as approved by the Board of Directors. Elected by the Board of Directors and is responsible for the general financial affairs of the Corporation and shall keep full and accurate records thereof which shall always be open to inspection by the Board Chair or any Director. He/she shall render to the Board Chair or all Directors whenever they require it, a statement of the accounts of his/her transactions as Treasurer and of the financial condition of the

Corporation. Responsible for filing financial reports with the Commonwealth of Massachusetts, IRS, and contractors as required by law. He or she shall be responsible for retaining and managing a non-Director accountant to review the books as appropriate. He/she may co-sign, with the president and/or with the Board Chair, checks or co-approve bank wires *or transfers* over \$7,500 *or to the President* that are within the policies and annual budget and workplan as approved by the Board of Directors. If allowed by law, he/she will be the Treasurer of incorporated country WCE *Affiliates*. ***The Board may elect a Vice Treasurer with the same signing and co-approving authorities.***

President: The Board of Directors shall employ, on behalf of the Corporation, a president who shall serve as chief executive officer and shall have general charge of the affairs of the Corporation, subject to the policies, annual workplan and annual budget as voted by the Board of Directors and subject to the evaluation by the Board of Directors. The president shall employ and manage all staff and resources of the Corporation and be the public spokesperson for the Corporation. The president shall be encouraged to be present at all meetings except part of one Board meeting per year during which his or her evaluation is drafted and annual compensation is determined. The president serves at the pleasure of the Board of Directors and may, after two written warnings and a hearing, be terminated for cause by a vote of two-thirds of the Directors then in office. If allowed by law, he/she will be the president or executive director of incorporated country WCE *Affiliates*. May singly sign checks and approve bank wires *or transfers* for under \$7,500 and for regular pay and benefit payments to unrelated individuals and as the Board of Directors shall authorize the execution thereof as long as they are within the annual budget and annual work plan as approved by the Board of Directors. All larger checks *and bank wires or transfers* as well as deeds, leases, transfers, contracts, bonds, notes, drafts and other obligations made, accepted and endorsed by the Corporation, shall be signed by the president and one other non-related Officer or Director who is voted into this role by the Board of Directors. Bank wires *or transfers* larger than \$7,500 *or to the president* require the written pre-approval of the Treasurer, *Vice Treasurer (if there is one)* and/or the Board Chair *or Vice Chair (if there is one)*.

Audit Committee: The Board of Directors shall annually appoint an Audit Committee of non-compensated Board members to annually retain a non-Director auditor to review the accounts of the Treasurer and to report the results to the Directors.

2. Reporting to the Audit Committee and the Board of Directors

The Director of Operations shall compare actual expenditures or outlays with budgeted amounts for each shipment or consulting contract. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required.

1. A balance sheet, revenues and expense statement, and investment report will be maintained and specific reports on program activities prepared as needed by the Director of Operations under the supervision of the president and with his or her approval. Management shall make a reasonable allocation of the cost of staff time to program areas.

2. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of any award or sub-award (if WCE has any).

The Treasurer, *Vice Treasurer (if there is one)* and president shall both electronically receive each month detailed year-to-date profit & loss reports from the Director of Operations.

The Board shall receive an updated balance sheet and summary of profits & losses before each Board meeting. The summary p&l shall compare each line to the budget and to the prior fiscal years actual and to the year-to-date from the prior year. The Board will discuss the financial position of WCE at each Board meeting.

3. Annual Budgeting Process

The president will prepare an annual budget for the corporation for each fiscal year beginning July 1 and ending June 30. This budget will be submitted to the World Computer Exchange Board of Directors and will be the corporation's budget upon approval by the Board.

Transactions and spending must be within the Board-approved budget. After the results of the first six months are received, the president will, if necessary, present to the Board for approval an adjusted budget seeking Board pre-approval for any expense line item of over \$7,500 that is going to be exceeded by more than 10%.

The annual budget shall be presented with breakouts of administrative and fund raising costs from program costs.

4. Accounting Records

World Computer Exchange shall maintain records, which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to awards, authorizations, obligations, un-obligated balances, assets, liabilities, outlays or expenditures, computer inventories, revenues and interest.

Blank checks shall be kept in the office of the Director of Operations. Current accounting records shall be kept in file boxes and electronic files backed up regularly on the organisation's server. The president shall also keep a copy of the backed up information on his computer. Access to the accounting records is restricted to the Director of Operations, president, members of the Board of Directors, and the independent auditor.

The financial reports shall breakout administrative and fund raising costs from program costs.

5. Revenue Recognition

Revenues in the form of donations from Partners tied to WCE expenses to prepare specific shipments are recorded once they are received and classified as temporarily restricted revenues. The restriction is removed as expenses are incurred for the specific shipment and fully removed once the shipment is loaded into the container. If revenues in the form of donations from Partners are not tied to specific shipments then they are recorded when received and classified as

unrestricted revenues. At the point when at least half of the funds for a specific shipment are received from all sources, an invoice for the full amount is entered into Quickbooks.

A pledge that is an unconditional promise to give is considered and recorded as a contribution provided there is sufficient written evidence the unconditional promise was made and received. Revenues from individual and corporate donors to the WCE Sponsor Campaign informally connected with a shipment will be recorded as such but not restricted.

6. Bank Accounts

World Computer Exchange will keep checking accounts, credit cards, savings accounts and certificates of deposit as appropriate for the orderly conduct of business. The Director of Operations, the president, Board Chair, *Vice Chair (if there is one)*, Treasurer *and vice Treasurer (if there is one)* all will be informed of all deposits, transfers and disbursements at the end of each month. Disbursements by check greater than \$7,500 require the signatures of two account signatories as voted by the Board of Directors these are the Board Chair, Treasurer, and president. In the case of bank wires *or transfers* greater than \$7,500, two of the *Board-approved signers* shall pre-approve in writing. Board designated funds (if there are any) may be held in investment accounts including equities, fixed asset and cash instruments.

7. Petty Cash Accounts

Petty cash accounts, of not more than \$250, can be created by the WCE president or Director of Operations to be maintained for specific events, program purposes, WCE *Chapter*, or affiliates. A receipt for expenses paid from a petty cash fund must accompany requests in order to replenish or close the petty cash fund.

8. Records Retention

World Computer Exchange shall retain records for a minimum of seven (7) years after the fiscal year in which they are received. WCE shall make their books and records available to the independent auditor and to any member of the Board of Directors.

9. Audit

All transactions of the World Computer Exchange are a part of an annual audit conducted by a licensed CPA firm. The Board of Directors has an Audit Committee of at least three independent Directors who receive no compensation from WCE that oversees and receives the results of the annual audit and reviews the adequacy of WCE's accounting policies, budgets and internal controls. The independent members of the Audit Committee (without any persons being paid by WCE in attendance) will have a phone conference call with the independent auditor prior to the Annual Meeting of the Members. The Audit Committee will then forward a motion to the Board for approval of the audited financial statements.

The management of WCE shall annually post the audit on the WCE website and on Guide Star and Dun & Bradstreet.

B. Internal Control Policy

Effective internal controls and accountability must be maintained for all funds, property, computers, and other assets. World Computer Exchange shall adequately safeguard all assets to assure that they are used solely for authorized purposes. The following controls shall apply and shall be tested by the Treasurer at his or her initiative. The Treasurer also has access to the Corporation's on-line banking account for unannounced periodic review and verification *and may extend this to the Vice Treasurer (if there is one).*

1. Accuracy

No employee shall, directly or indirectly, knowingly falsify, cause or allow to be falsified any book, record or account of the company. This includes expenditures, travel records, time sheets, approval of vendor invoices, or any other business/financial record.

2. Transparency

No entries should be made that intentionally conceal the true nature of any transaction or record.

3. Full Data Entry

No funds or accounts should be kept for purposes not fully and accurately disclosed. Unrecorded or "off the books" funds or assets may not be kept for any purpose.

4. Employee Responsibility

All employees must protect WCE's assets and ensure their efficient use. WCE will not tolerate theft, misuse or waste of assets. All assets should be used strictly for legitimate purposes.

5. Applicable Internal Controls

1. Separation of duties
 - a. No one employee is functionally responsible for a financial or other business transaction from start to finish.
2. Issuing or receiving assets
 - a. Checks marked "For Deposit Only" immediately.
 - b. Receipt written for every financial transaction.
 - c. Assets may not be issued or received without proper documentation and approvals and receipts and logging for IRS.
 - d. Payment requests documented with backup.
 - e. Change funds reconciled monthly.
3. Weekly, timely and accurate deposits of all receipts to the bank.
4. Restricting access to office, documents, equipment, computer inventory, and personnel.

6. Notification

Upon notification from an employee or volunteer of avoidance of established internal controls, or if the supervisor has reason to suspect the avoidance of established of internal controls, the supervisor shall immediately notify the Director of Operations, president, Treasurer *or Vice Treasurer (if there is one)*.

7. Disbursement Procedure & Requirements

Disbursements to vendors will be processed as needed within each vendor's payment terms. Proper documentation must be included in order to process payment, which includes a signed Check Request Form and copies of receipts, or a third party invoice. Checks will be written (but not signed) and the Director of Operations with the approval of the president will make disbursements. Checks written by the Director of Operations may be signed by any one of the president, Board Chair, *Vice Chair (if there is one)*, Treasurer *or Vice Treasurer (if there is one)* unless the check is for over \$7,500 in which case two of these must sign. None of *these* may sign a check written to himself or herself for salary, reimbursements, interest, rent, revolving loan reductions, benefits, nor for anything else. Bank wires *or transfers* greater than \$7,500 require written pre-approval of two *of these*.

Deposits to pay withheld or matching funds directly to Merrill Lynch for the retirement accounts of the president or the Director of Operations or checks or automatic deposits to cover the health benefits of the president and Director of Operations may be signed by the president as long as the Board Chair and Treasurer *and Vice Treasurer (if there is one)* are so informed.

The Director of Operations with prior approval of the president may issue purchase orders.

Verbal orders, bank wires, electronic fund transfers and debit card payments may be made within the Board-approved budget and shall be with the knowledge of the Director of Operations, and documented indicating that notification is sent to all of the following: president, Treasurer, *Vice Treasurer (if there is one)* and/or Board Chair *or Vice Chair (if there is one)*. Any such transaction involving an amount over \$7,500 requires the specific written pre-approval of two of the following: president, Treasurer, *Vice Treasurer (if there is one)* and/or Board Chair *or Vice Chair (if there is one)*.

8. Deposits

Each check is received by the president and logged into a summary provided monthly to the Board Chair, Treasurer, *Vice Treasurer (if there is one)*, and Director of Operations and then the Director of Operations enters each check into QuickBooks and deposits it into the corporation's accounts in a timely manner. The Director of Operations and the president will each be involved in deposits. Contributions must be deposited with an accounting of any donor restrictions (e.g.: donor letter or reference to a proposal) included in the information attached to the deposit request. Copies of the deposited checks are retained with the record of deposit.

Receipts are sent to individuals who donate. Contributions made to the WCE Sponsor Campaign will be deposited into WCE's main operating account.

9. Bank and Investment Records

The monthly statements from the bank are received unopened by the president. The Director of Operations should review all transactions on the statement along with all canceled checks with particular attention to electronic transfers, unknown payees, suspicious signatures and unusual endorsements. The president should sign, or initial, the statement to document that it has been reviewed by him. The Director of Operations will conduct a quarterly reconciliation to ascertain that all receipts have been deposited in the Bank.

10. Expense Deferrals

Vendor invoices that cover periods longer than one month (such as annual storage contracts and insurance premiums) will be entered in the accounting system as a prepaid asset and amortized monthly via journal entry over the appropriate period.

11. Sales Tax

World Computer Exchange is exempt from Massachusetts Sales Tax. State forms ST-2 and ST-5 are available for all state vendors to verify our tax-exempt status as needed.

12. Payroll

Payroll is processed monthly at the end of the month. Hourly workers report their hours for the month to the Director of Operations, who submits their hours, along with the hours of the salaried employees, to our payroll processing company which produces the paychecks, submits the payroll taxes, and produces the necessary reports for WCE and the appropriate states and the federal government (initially ADP). When the Director of Operations receives the reports from the payroll processing company, she enters the salary and tax expenses.

13. Payroll Tax and Pension Funds

The payroll processing company withholds payroll and related taxes from employees and deposits them in a timely manner according to IRS and Commonwealth of Massachusetts regulations. The payroll processing company tracks funds withheld for salaried employees' pension funds, along with a match from WCE, and WCE is responsible for mailing checks to the appropriate employee pension fund accounts. WCE also retains a company to manage the government reporting requirements for its employees' pension fund (initially: Fecteau Benefits Group and currently Merrill Lynch).