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UNBOUND™

Unbound Financial Policies Manual

TABLE OF CONTENTS

<u>Foreword</u>

The Financial Policies Manual is an integral part of the set of Unbound project manuals. It outlines the policies for financial management and financial reporting in compliance with the Unbound core values of integrity and accountability.

This Manual is part of the Unbound Manual Set. Collectively the Manuals serve to reflect the values and principles of our global community and set guidelines and restrictions for implementing the sponsorship program. This manual does not stand alone. It relies on the Sponsorship, Correspondence, Service-Scholarship, Vocations, Awareness Trip, and Abila User manuals for reference and detail. Likewise, those manuals rely on this document to complement and complete the guidelines.

1 <u>Introduction</u>

1.1 Principles and Fundamentals

The Unbound core values of integrity and accountability require honesty and transparency in all aspects of financial management and financial reporting.

Unbound considers all financial resources under its responsibility as being owned by and for the benefit of sponsored members. All Unbound accounting should reflect a clear and documented connection between funds received from sponsors and the benefits and services received by individual sponsored members.

As per the Affiliation Agreement, each project's primary source of income is the sponsorship funding received from Unbound Headquarters. These funds are received as donations from Unbound sponsors who are the primary source of funding for Unbound Headquarters. Our financial policies are designed to recognize the value of each individual participating in the program, including the sponsor, the Unbound Headquarters staff, the project and subproject staff, and the sponsored member.

This manual seeks to establish a set of guidelines for sound, fundamental financial practices in Unbound projects. It also serves as a basis for legal entities and project offices to establish their required financial policy manuals. This manual is not designed to serve in place of a local manual, which allows the project to include specific local policies and procedures that fall within the guidelines of this manual.

1.2 Standards of Accounting

Unbound projects should operate under local accounting norms (commonly known as Generally Accepted Accounting Principles, or GAAP) according to their legal status within the country where they operate. The local accounting practices should be enacted with the advice of a local expert, such as a Chartered Accountant. Many Unbound countries operate under the International Financial Reporting Standards (IFRS), and we encourage each project to determine to what extent these standards apply based on legal status and size of the organization. Review and implementation of these standards should be conducted on a continuous basis.

1.2.1 Complete and Timely Disbursement of Funds

Consistent with the view that all financial resources belong to the sponsored members, Unbound does not engage in accumulating or accruing funds indefinitely, particularly undesignated reserves. We operate on the principle that all funds received should be used in a complete and timely manner. All funds held longer than the month in which they are received are reported in the monthly Cash

Reserves Report, and the project is responsible for indicating when such funds will be utilized, and for what purposes.

1.2.2 **Fund Accounting**

Regardless of local GAAP, Unbound projects fundamentally operate on a Fund Accounting basis. Fund accounting associates each accounting entry with a specific designation or Fund. Each fund is a self-balancing set of ledgers, which can be analyzed and reported on individually, in groups, or collectively. In addition, fund accounting entities typically report on the basis of how funds are utilized, rather than focusing on how profit is earned.

Details of Unbound funds are covered in Chapter 2 of this manual.

1.2.3 **Basis of Accounting**

Unbound projects should operate on accrual basis unless local regulations prohibit doing so.

The project will record income when the transfer is received from Unbound Headquarters, and expenses are recorded when transaction occurs. The exception to this would be for payroll liabilities such as income tax payable to the government entity or retirement obligations. Projects may also maintain reserves for the purchases of fixed assets on a depreciation basis.

Credit purchases are expressly prohibited, as well as guarantees or endorsements to third parties, nor should advance payments from third parties be recorded in your asset accounts. The exception will be for specific provisions which must be communicated to Unbound Headquarters.

1.3 Accounting System

All Unbound projects operate on Abila MIP Fund Accounting, which is provided by Unbound Headquarters at no expense to the project. Unbound Headquarters selected Abila to fulfill the requirement that Unbound projects maintain a computerized system in which financial transactions are recorded on a daily basis and is supported by the appropriate documentation, authorization, and recording of transactions.

Should local regulations require a different accounting system, the project should provide documentation of this requirement to Unbound Headquarters. In this case, we will work to establish a system that accommodates transfer of data between Abila and the local system. The local system and Abila should be reconciled on a monthly basis. Where possible, the local system should also allow for a Fund Accounting basis.

1.4 Accounting Personnel

The accounting activity is carried out and monitored at multiple levels.

1.4.1 Regional Accountant

The Regional Accountant is a member of the International Programs Department at Unbound Headquarters and serves on the regional team supporting the project. The Regional Accountant's responsibilities include but are not limited to: monitoring the financial compliance and integrity of the projects; financial analysis; training and support of project accounting personnel in the Abila MIP Fund Accounting software; monitoring and assisting in audit review and the implementations of audit recommendations; serving as the contact for the Project Accountant and Coordinator for clarification of any accounting or financial policies. The Regional Accountant also serves as the administrator for each Abila database, and carries out maintenance, year-end entries, and closing of the fiscal year. The Regional Accountant may be engaged to support and advise the project on hiring decisions for accountants at the project and must be engaged in termination decisions.

1.4.2 Project Accountant

The Project Accountant serves as the primary financial officer for the Project. The Project Accountant is an employee of the local project, and as such is employed according to the provisions of local labor laws and the project's human resource policies. They are accountable to the Project Coordinator, and specific job duties are determined by the job description of the project, which may include supervisory responsibilities.

The Project Accountant is accountable to Unbound Headquarters to enact and enforce the provisions of the Unbound Financial Policy Manual in the project, keep all financial records, including Abila, accurate and up to date, and submit all required monthly and annual financial reporting. They are also responsible for complying with all legal requirements related to local/national accounting and taxes.

While all staff members have a responsibility and obligation to report known misappropriation of funds, the Project Accountant is in a position to be aware of such misuse, particularly if it is carried out by other project leaders. As such, it is the right and responsibility of the Project Accountant to challenge and report any malfeasance or misappropriation of Unbound funds. In order to protect this right, the Project Accountant may not be released from his or her job without express consent of Unbound Headquarters. The Project Accountant must also be given a clear and unobstructed opportunity to communicate regularly with Unbound Headquarters without interference from other project staff, including the Coordinator.

The project may assign more than one individual with this title, and all rights and responsibilities of the title would extend to every individual with this designation.

1.4.3 Additional Accounting Staff

The project may, at its discretion, assign other accounting roles within the project, including but not limited to, coordinating office accounting staff, subproject accountants, or internal auditors. The duties and responsibilities of such staff are assigned by the Project Coordinator and/or Project Accountant.

All staff with responsibilities to make entries in Abila must be assigned a unique login for the accounting system.

As with the Project Accountant, all accounting staff members have a responsibility to report fraud or misappropriation of funds if they are aware of it. They may do so by contacting their regional team or through the Integra hotline.

1.5 Prohibition on Charging Sponsored Members for Benefits

Projects, Subprojects, and other sponsored members are never allowed, under any circumstance, to charge a fee or otherwise extend any cost to sponsored members or prospective sponsored members to receive benefits or to join the program.

Staff may not, under any circumstance, accept gifts from sponsored members in exchange for benefits, including cash or in-kind items.

Staff found to accept any gift in exchange for sponsorship shall be subject to discipline, up to and including termination from employment. Sponsored families found to be charging new recruits shall also be subject to discipline, up to and including being retired from the program.

1.6 Exceptions to Policy

At times, local GAAP or other laws require that a project makes entries that are contrary to the guidelines in this manual. Where there is a conflict, the local law shall prevail. If the conflict is based on a preference, the Policy Manual should prevail.

In any case where a conflict exists, the project should contact their Regional Accountant to discuss. If an exception is granted, the project should retain documentation of the purpose and the approval.

We may note acknowledgement of potential conflicts throughout the manual (for example, the potential for a petty cash balance variation). However, whether or not it is mentioned, deviation from the policy may be acceptable, but must be approved and documented.

All approved exceptions to the Financial Policy should be documented and reviewed on an annual basis during the budget approval process.

2   <u>Fund Designations</u>

As noted in the introduction, Unbound operates on a Fund Accounting basis. Fund Accounting assigns a Fund code to each entry, and all cash, assets, liabilities, income, expense, and fund balance are associated with the specific fund. Each Fund is a set of self-balancing ledgers.

Unbound has three basic categories of funds, which mandate the project on how the funds can be used. They are:

- **Sponsorship Funds** – This includes regular sponsorship funds, which are the general operating funds of the Unbound Sponsorship program. The project has discretion as to how the funds are specifically used. They are equivalent to undesignated funds in most NGO operations, with the exception that Unbound philosophy holds that all funds without specific designation belong to the sponsored families.
- **Partially Restricted Funds** – This includes sponsor contributions such as Sponsored Family Need, Sponsored Community Need, and Sponsored Most in Need. The project retains discretion as to the ultimate use of the funds but should seek to honor the designated intent where practical, possible, and without negative impact to the family or Unbound community.
- **Restricted Funds** – This includes Birthday and Christmas gifts, Service-Scholarship Fund, Unbound Grants, Sponsor Grants, and Advances/Reimbursements. These funds carry a full restriction when received by the project. The funds must be used for the designated purpose, either by the fund title, or the designation on the grant. Funds may not be redirected without approval from Unbound Headquarters.

2.1 Sponsorship Funds (Child 10, Elder 15, Vocations 19)

Sponsorship funds are the regular monthly contribution from individual sponsors for the regular support of the sponsored member. Child (and Youth) sponsorship is represented by Fund 10. Elder (formerly Aging) sponsorship is under Fund 15. Projects that have Vocations sponsorships record that activity in Fund 19. Sponsorship funds are distributed to the projects based on the number of fulfilled (paid) sponsorships for the month as stated on the financial memo from Unbound Headquarters and must be spread over all beneficiaries in the project. Subproject distributions should be computed based on the number of beneficiaries in each subproject. Beneficiaries are children and elders with named sponsors, as well as those in the "change of sponsor" status and/or older students in the "benefits through date" status.

The regular sponsorship program is the highest priority for the project, and the largest amount possible of sponsorship funds must be used to benefit sponsored members and their families. Unbound expects that all sponsored members will receive approximately the same dollar amount in services and benefits from regular sponsorship contributions.

Regular sponsorship funds (Funds 10 and 15) are the source of funding for administrative expenses of the project. The exception to this is that the administration of Service-Scholarship may be funded directly from that fund. Administrative expenses are typically expressed as a percentage of sponsorship income and are expected to be modest but adequate in order to carry out a quality program of personal outreach.

Sometimes the Projects may have unused funds in Fund 10 and 15. These unused funds may be a result of lower administrative expenses. In these cases, the following considerations should be taken:

- The Project must maintain a policy on the use of these funds to support the redirection of funds.
- The Project must retain adequate documentation of all redirection decisions.
- These funds can be distributed among sponsored families using Dept. / prog 510 and / or 530 as soon as possible. Contact your Regional Accountant to work on a distribution plan.
- If the Project wishes to utilize these surpluses or unused funds in Special Funds, and if these funds are USD 500 or more, a proposal must be prepared for the use of these funds. This proposal must be submitted to the Unbound Headquarters Regional Directors and Regional Accountant for approval.

2.2 Birthday (Fund 20) and Christmas (Fund 25) (Restricted)

Birthday and Christmas funds are designated as separate line items in the regular contributions section of the financial memo. These gifts are intended to provide the families with an opportunity to purchase a birthday or Christmas/Festival gift. To put more decision making in the hands of families, the preferred method of using these funds is to transfer the intended funds to the individual bank account of the sponsored members. Families who desire a party can choose to pool their personal funds and/or Birthday/Christmas funds to organize parties.

Birthday and Christmas fund distributions should be made according to the information on the Financial Memo and the rate set by Unbound Headquarters. The project is required to communicate to the beneficiary the intended use of the funds, should maintain appropriate records of distribution and transfer the funds within the current fiscal year.

2.3 Service-Scholarship Grant (Fund 30) (Restricted)

Service-scholarship funds are restricted for the use of the Unbound service-scholarship program. Unbound service-scholarships are available to both sponsored and non-sponsored youth who meet the requirements as detailed in the Unbound Service-Scholarship Manual. Service-Scholarship funds are disbursed as a fixed amount from Unbound Headquarters and may be distributed among the number of scholars that the project determines is appropriate. The distribution may be equal per student or may vary depending on the need and commitment of the student. Fund 30 may be used to pay administrative expenses for the Service-Scholarship program.

Please refer to the Service-Scholarship Manual for full details on this program.

2.4 Unbound Grants (Fund 40) (Restricted)

Unbound grants are associated with a need or request originating from the project and are funded by general donations to Unbound. Because these funds are limited, Unbound Headquarters approves grant requests based on available funds, at the discretion of the Regional Team, and with the approval of the Project Directors. Unbound grants are generally intended for special benefits development or out-of-the-ordinary administrative expenses. Once a grant is approved, Unbound Headquarters will indicate the agreed-upon purpose for these funds on the Financial Detail Report. If the project coordinator determines that the stated purpose is no longer feasible or appropriate, he or she must contact Unbound Headquarters for authorization to redirect funds to another purpose.

Unbound grants are one-time grants for a specific purpose.

Projects wishing to apply for Unbound Grants should submit a proposal, stating the amount requested, and providing a detailed narrative description of the purpose for the grant, a full budget for the grant funds, the number of sponsored children and elders who will benefit, and any other relevant information.

Unbound grants should be accounted for individually in Abila. The project must maintain detailed documentation about how the grant money was used, including a narrative report, photos (if applicable), and receipts as per the Records Retention policy.

Projects must notify the Unbound Headquarters regional team of any surplus after executing the objective of the proposal. Unbound Headquarters will determine if the unused balance should be returned to Unbound Headquarters, applying to another proposal, or reclassified to another fund.

2.5 Advances and Reimbursements (Fund 45) (Restricted)

Funds advanced from Unbound Headquarters for any purpose, and funds that are spent and anticipated to be reimbursed by Unbound Headquarters are recorded in Fund 45. The project should record utilization of these funds as expenses, under the Special Visit GL group, and assign funds received as income from Unbound Headquarters. Activity in Fund 45 is typically related to Awareness Trips (AT), Individual Sponsor Visits (ISV), Virtual Visits, and Unbound Headquarters/Special visits. It may include an advance or loan that is to be repaid.

All expenses on Awareness Trips (AT), Individual Sponsor Visits (ISV), Virtual Visits and Unbound Headquarters/Special visits should be reimbursed by Unbound Headquarters.

Unbound Headquarters may decide to support the visits of other projects and non-budgeted meetings. These reimbursements should be categorized as fund 45.

2.5.1 Awareness Trips

For full information on budgeting and reporting expenses for Awareness Trips, please refer to Chapter 5 of the Awareness Trip Manual.

The project is responsible for submitting a preliminary trip budget to their assigned trip coordinator, and to comply with the approved budget. Unbound Headquarters may advance a portion of the approved budget, which should be recorded as income from the project in the month it is received. Expenses should be recorded under the Special Visit GL Group codes. A report on expenses and the receipts should be submitted to Unbound Headquarters for reimbursement. Receipt of the funds of the reimbursement should be posted as income from Unbound Headquarters to Fund 45. Such report should be submitted in a timely manner.

2.5.2 Individual Sponsor Visits (ISV) and Virtual Visits

Unbound Headquarters
All expenses incurred by the project related to Individual Sponsor Visits (ISV) and Virtual Visits should be recorded to Fund 45, Depto 250 under Special Visit GL Group. The project should ensure reasonable expenses for these visits.

Individual Sponsor Visits (ISVs) are an important part of the Unbound sponsorship program. The project will assume the expenses related to the ISV and maintain documentation and receipts of the expenses in order to request reimbursement, per the process described in the Financial Policies Manual.

The project's regional team and ISV coordinators are in close contact and support each other. Projects may contact either team if there is an urgent ISV situation.

Twice per year, in May and November, the project accountant will send Unbound Headquarters supporting documentation and a report which lists the expenses incurred by the project for virtual visits and individual sponsor visits (ISVs) according to the following schedule:

- Send report and support documentation by May 10 for visits that occurred between November 1 and April 30. Reimbursement will be sent with the June transfer.
- Send report and supporting documentation by November 10 for visits that occurred between May 1 and October 31. Reimbursement will be sent with the December transfer.

The report format is similar to the format projects have used in the past to submit their expenses and receipts after an awareness trip. The Unbound Headquarters regional accountant will share the format with you. The basic categories include:

o Transportation

o Meal or snack

o Internet / technology (for a virtual visit)

o Other

The project could possibly have expenses from ISVs as well as virtual visits. The project accountant should submit separate reports, one for virtual visits and one for individual sponsor visits (ISVs), organized by subproject.

Project accountant:

- Will send the report (see the Excel template) with the receipts from the expenses of the visits (virtual and ISVs), in the first ten days of the month listed above, in other words by May 10 and by November 10. The project will be reimbursed during the months of June and December, respectively, with the monthly transfer sent by Unbound Headquarters. It is important the project accountant respects these deadlines to guarantee timely reimbursement and avoid Fund 45 having a negative balance, particularly at the close of the year.

- The report should be sent to:
  - Unbound Headquarters regional account
  - Experience Integration Manager: ISV@unbound.org

2.5.3 Unbound Headquarters/Special Visits

Visits from Unbound Headquarters staff for monitoring, audit, or accompaniment will be reimbursed fully by Unbound Headquarters. The project should not incur any hosting expenses. Where possible, arrangements should be made so that Unbound Headquarters staff can pay for expenses during the visit to reduce follow up and to properly record the expense on Unbound Headquarters books.

When direct payment by Unbound Headquarters staff is not possible, the project should incur all expenses under Fund 45 and the Special Visit GL group. A report should be submitted to the Regional Team at the end of the visit for reimbursement.

Reimbursement received from Unbound Headquarters should be recorded as income to Fund 45.

2.6 Additional Sponsor Contributions

From time to time, sponsors may send additional contributions to assist the sponsored families or program. Unbound welcomes these requests and special contributions. However, there are restrictions on these requests to ensure that the funds are utilized in the best interest of the sponsored children, their families, and local communities. While we consider the vital role of sponsor intentions in extending the reach of the program, we place a greater priority on the one-to-one base sponsorship program of children, youth, and elders.

As a result, Unbound does not allow sponsors to demand or require benefits, gifts, or activities that are not in the best interest of the sponsored child, family, or community. Rather, Unbound expects a degree of reasonableness and understanding from sponsors with regards to the policies of the sponsorship program. Unbound is committed to educating sponsors when requests are inappropriate and to protecting sponsored children, youth, the elderly, and the local Unbound community from anything that may not be in their best interest.

The following are details of the various funds to which sponsors may make additional contributions.

2.6.1 Sponsor Grants (Fund 50) (Restricted)

Sponsor grants are specific needs to which individual sponsors may donate throughout the year or as new needs arise. In these cases, the project must provide a detailed description of the need, including approximate costs, which will then be reviewed by Unbound Headquarters. If approved, this need will be shared with sponsors or donors who inquire about special needs of the projects. Just as with Unbound grants, Unbound Headquarters and the projects agree upon funding and administration of sponsor grants.

Projects wishing to apply for Sponsor Grants should submit a proposal stating the amount requested and providing a detailed narrative description of the purpose for the grant, a full budget for the grant funds, the number of sponsored children and elders who will benefit, and any other relevant information.

2.6.2 Sponsored Family Need (Fund 51) (Partially Restricted)

Donations to the sponsored family need fund are designated for a specific sponsored member and are generally sent in response to a perceived need of the sponsored member or family as communicated by the sponsor. The perceived need may be general, additional help for the family, or it could be a more specific need such as shoes or eyeglasses.

With all sponsor intentions, the project must first evaluate the perceived need against the real needs of the sponsored person or family. The project staff should determine if the intention is appropriate, important, and useful for the survival and/or holistic development of the sponsored member and his or her family. If the perceived need is valid and the project decides it will have a positive effect on the beneficiary and family, the project is expected to make a reasonable effort to deliver the additional benefits needed.

Sponsored family need funds are summarized on the Financial Memo and detailed on the Financial Detail, including the sponsor name and the beneficiary ID number. Sponsored family need distributions may be disbursed to the beneficiary bank account or utilized in coordination with the family and the project, as per the intended use indicated on the Financial Detail.

Family Need funds may not be used to pay administrative expenses.

The project must have acknowledge about how the families use this fund.. Please refer to the Correspondence Manual for details on the acknowledgement requirements.

While Unbound expects a reasonable effort by the project to address special requests, we also respect the decision of the project to deny requests that may be inappropriate. Projects may determine that a special request is inappropriate when the request is:

- not useful to the family
- not wanted by the family
- culturally or religiously insensitive
- causing conflict in the community
- taking away the development incentive of the sponsored family
- not feasible for project staff to supervise or oversee the delivery of the special benefit.
- not in the best interest of the sponsored member, family, or Unbound community

If a perceived need listed on the Financial Detail Report is denied, particularly with large contributions, the project may redirect these funds to another need of the sponsored member or family or to another beneficiary or family in need in accordance with the project's Most in Need policies.

 The project should maintain appropriate documentation of all redirection decisions. If the project has a plan to redirect funds in the amount of USD 500 or more or redirect any amount of funds to someone other than the immediate family of the sponsored member, you must inform the Unbound Headquarters Regional Team: the regional accountant, the project director, and also the specialist who will contact the sponsor.

2.6.3 Sponsored Community Need Fund (Fund 52) (Partially Restricted)

Donations to the sponsored community need fund are generally sent in response to a perceived need of the community and are not designated for specific sponsored member. Sponsors may be aware of these needs due to visits to the project or general perception or knowledge of the challenges and needs of the area. As with all perceived intentions, projects should evaluate the perceived need against the real needs of the community. If the perceived need is valid, the project is expected to make a reasonable effort to honor the sponsor intent.

Sponsored community need funds are summarized on the Financial Memo and detailed on the Financial Detail, including the sponsor name. Since the request is associated with the project, subproject, or community, an individual child is not identified.

No administrative expenses may be paid out of sponsored community need funds.

Project staff should write an acknowledgement letter for any sponsored community need contribution of USD 100 or more. Please refer to the Correspondence Manual for details on the acknowledgement requirements.

While a reasonable effort to honor the request is expected, Unbound Headquarters respects the project's ability to deny any request that may be inappropriate. In that case, if the total contribution from the sponsor is less than USD 500, the project may proceed with redirecting the funds without prior approval from Unbound Headquarters. Any redirection of funds above USD 500 must be informed to Unbound Headquarters. Unbound Headquarters will assess these situations and may contact the sponsor for additional information regarding the intention or to explain why the funds must be redirected.

Sponsored community need funds sent with no donor intent may be combined and used for community needs, which serve both sponsored and non-sponsored at the discretion of the project. Examples of needs that may be defined as community need include, but are not limited to, water and sanitation projects, community clean up, etc.

2.6.4 Sponsored Most in Need Fund (Fund 53) (Partially Restricted)

Donations to the sponsored most in need fund are general in nature and not designated for a specific sponsored member. They are intended to be used for any sponsored member, service-scholarship student or family most in need of extra help or benefits that the regular sponsorship budget cannot address.

Projects are asked to use their discretion in determining which sponsored members, service-scholarship students, or families will receive these funds and how they will be utilized. We recommend a well-documented selection process, with appropriate record-keeping.

Sponsored most in need funds must be used as a direct benefit to sponsored individuals, service-scholarship students and/or sponsored families. They may be transferred to beneficiary bank accounts, or utilization may be coordinated with the project or subproject.

These funds may not be used for the administrative expenses of the project or subproject.

2.7 Education Accounts (Disbursed through Fund 51)

Sponsors occasionally ask Unbound to help them begin saving for the future education needs of their sponsored child while that sponsored child is young. Unbound allows sponsors to contribute money to education accounts for their sponsored children and will hold these funds at Unbound Headquarters until needed for the child's education. The intention of educational accounts is educational assistance - whether formal, non-formal or technical skills training.

Projects are notified through the monthly Education Account Balance & Disbursement Report which sponsored children have education accounts and in what amount. Projects are required to submit an Education Account Disbursement Request form to Unbound Headquarters to request distribution of

all or a portion of the education account when the child is in need of additional educational assistance. The Disbursement Request may be found on PORTAL.

Funds disbursed from an education account will appear on the Financial Memo and Financial Detail as Family Need funds, which reflect a reclassification before disbursement from Unbound Headquarters.

The project must monitor and account for the use of these additional funds in order for them to be disbursed. The youth receiving extra educational assistance must provide updates on their educational progress and future plans with every letter to their sponsors.

When a child leaves the sponsorship program with money remaining in his or her education account, sponsors will be allowed to transfer any remaining amount to another child they sponsor. If the sponsor does not choose to transfer the remaining funds to another sponsored child, any remaining money will be automatically transferred to the global Unbound service-scholarship fund.

2.8- Redirection of Funds

If the project has a plan to redirect another Fund, it must notify the Unbound Headquarters Regional Accountant and Project Director.

The project must include in its Internal and Financial Control Manuals a policy to redirect these funds. Unbound Headquarters must approve the local policy.

3 Income

3.1 Unbound Income

The primary source of income for Unbound projects is from sponsor donations that are transferred to the projects from Unbound Headquarters. Any other source of income should serve to support the sponsorship program and should be minimal.

At the beginning of each month, Unbound Headquarters initiates a wire transfer to the project containing a net amount of all activity impacting the project, including sponsorship funds, birthday and Christmas funds, grants, and additional sponsorship donations. The transfer may also include deductions for loans or other funds owed to Unbound Headquarters. This data is reported on the Financial Memo and Financial Detail Report and reported in US Dollars.

Unbound Headquarters disburses funds through StoneX either in USD or in the projects' local currency. The transfers are made in USD or in local currency according to analysis of historical trends. Projects should contact their regional accountant if they observe a consistent disadvantage in the current disbursement method so that alternatives can be explored.

Income should be recorded in the local currency, as detailed in the Financial Memo. All funds from Unbound Headquarters should be recorded as income. Any deductions reported on the Financial Memo should be recorded as an expense or against a balance sheet account. Income should not be recorded as a net figure.

Any bank or wire transfer fees incurred should also be recorded as an expense.

3.2 Other Income

Income from sources other than Unbound Headquarters should be rare, but there are opportunities for this to happen. Projects should only accept contributions from other sources that are consistent with the mission of Unbound and that can be administered efficiently by the project. All sources of income should be recorded in the financial system, consistent with our values of transparency and accountability.

Because of the infrequency of these gifts, we recommend that the project consult with the Regional Accountant with any questions about recording such entries.

3.2.1 In-Kind Donations Received by Project

Projects may occasionally receive contributions of goods which are commonly referred to as "in-kind donations." These contributions may be equipment or furniture or could also be of a benefit nature such as food or gifts.

In-kind donations are income and should be recorded as such in the financial system.

- Donations of assets (equipment or furniture with a value consistent with capitalized assets as per the fixed asset policy) would be recorded as credit to in-kind revenue and a debit to the appropriate fixed asset category.
- Donations of items for administrative purposes should be recorded as a credit to in-kind revenue and debit to the appropriate administrative expense category.
- Donations of items received for benefits should be recorded as a credit to in-kind revenue and a debit to the appropriate benefit code if they are disbursed to families immediately. If the items will be held in inventory, the debit should be to the inventory code, according to the inventory policy. As with all income, distributions to beneficiaries must be timely and complete.

3.2.2 Donations from Sponsors Received by Project Office

All contributions from sponsors should be made through Unbound Headquarters. Sponsors expect a charitable contribution receipt for tax purposes, which can only be issued if Unbound Headquarters receives the contribution.

Even though the policies discourage the practice, sponsors occasionally send funds directly to the project, include a gift in the letter to their sponsored friend, or attempt to give a gift during an Awareness Trip.

If funds are received in sponsor mail, or if you are unable to refuse a cash gift from an AT participant, the correspondence personnel should record it as an Issue so that Unbound Headquarters can contact the sponsor. The issue should indicate whether cash, check, or money order is received. Include the amount, and the check number or money order number if applicable. Please refer to the Correspondence Manual for instructions on recording an Issue in PORTAL. The funds should then be given to the accounting department.

For cash received, the project should deposit the funds into the project bank account or convert it to the local currency through the bank or exchange house. The funds should then be recorded as a donation in local income to the appropriate fund. The project should make an assessment as to the best use of the donation, with the sponsor intention of being honored as long as it is appropriate and in the best interest of the sponsored individual or project/subproject. The project must deliver to the beneficiary family the cash within a period of no more than 30 days. The project will send an accounting of such money to Unbound Headquarters, with sponsor's name, child ID # and name, explaining how the money was used.

Unbound Headquarters will send a letter to the sponsor acknowledging that the project has received the money and reminding the sponsor that we cannot provide a receipt for funds not sent through the Unbound Headquarters office. The sponsor will also be asked to send all future donations through the Unbound Headquarters office.

For checks received, report them on the Portal and destroy them immediately. Unbound Headquarters Refer to the correspondence manual for more information on how to register checks in the Portal.

For money orders received, follow the same procedure as with checks.

3.2.3 **Local Income**

Any donations to an Unbound project from local (non-Unbound) sources should be recorded as local income in the financial system and indicate the donor name and intent. The project should make every effort to use the donation according to the intent of the donor. If no intent is indicated, the project has the discretion to use the funds to benefit sponsored members. Unbound encourages projects to only accept donations that are consistent with the project's mission. Projects must report to Unbound-Headquarters within ten days any donation with a value greater than USD 500.

Any income to an Unbound project from local (non-Unbound) sources should be recorded as local income in the financial system and be used for the benefit of our beneficiaries. Such income could be from the sale of fixed assets, financial returns, insurance recovery etc. Local income received should follow the tax regulations determined by the local laws.

3.2.4 **Interest Income**

The interest generated in the bank accounts maintained by the foundation must be considered as beneficiary funds, any interest generated by the accounts must be used for the benefit of the sponsored unless there is an alternative plan approved by Unbound Headquarters, the interest must be counted as income in sponsorship funds and as program income.

3.2.5 **Excess of Funds**

In the event that there are exchange rate fluctuations that produce an excess of money, the excess cash must be distributed to the families in the same month in which they occur, or ASAP. In the case of surpluses generated by other factors, the project must distribute it as a direct benefit to the beneficiaries by the end of the year to comply with the Unbound principle that these funds belong to the beneficiaries. The funds should not be considered available for administrative expenses unless approved by Unbound Headquarters.

4 <u>Expenditures</u>

Funds paid out from Unbound projects should be accounted for in a timely and complete manner, following a well-defined structure and procedure. Under Unbound's Fund Accounting basis, all entries must include the Fund, Program code, General Ledger code, the vendor ID and name of the vendor. The Program Code serves to classify transactions on the income statement by function (e.g., administrative, sponsor relations, program). GL Codes serve to define the object of the transaction (salaries, rent, supplies, benefits, etc.) Each element supports the detailing of fund utilization in financial reporting.

This section will discuss the Functional Expenses (classified by Department/Program Codes); as well as specific items related to payment method, payroll, and tax considerations.

4.1 Functional Expenses (Admin, Sponsor Relations, Program)

4.1.1 Administrative Expenses

Administrative expenses refer to those expenses that are incurred for operational purposes, such as coordination, accounting, and legal structure. Administrative expenses do not directly impact delivery of benefits to the beneficiaries, but instead support the structures that allow that work to happen.

Unbound's philosophy is that projects should seek to use modest but adequate resources for administrative expenses to ensure maximum benefit to sponsored members. The administrative expense ratio is the total of funds coded to administrative departments codes (e.g.100,125) expressed as a percentage of sponsorship income, (Funds 10,15,19)in a given period.

Guidelines for typical administrative expenses are noted below. It is important to recognize that a single GL code (the object) may be assigned to multiple department codes (functions). Please refer to the chart in Chapter 13 for a listing of specific GL and Dept/Prog code relationships.

Guidelines regarding administrative expenses:
- Nearly all personnel in Unbound projects engage in some administrative work and some program work. The positions listed below are deemed to be administrative in nature with an immaterial program component to their job. Thus, the policy is that they should be coded 100% to Administrative:
  - Project Coordinator
  - Accountants
    - Project Accountant
    - Subproject Accountants
    - Bookkeepers

- o   Human Resources
- o   Office administrators
    - ▪   Coordinating Office
    - ▪   Subproject Office
- o   Drivers
- o   Security Guards
- o   Office Attendants
- The corresponding benefits for these employees, such as bonuses, health insurance, and payroll taxes, etc., should be booked to the same function.
- Rent, utilities, internet, phone, and maintenance expenses related to the Coordinating Office
- Depreciation, amortization, and maintenance expenses for fixed assets (including vehicles)
- Travel to and from subprojects for administrative purposes, meetings, etc. by any staff.
- Insurance.
- Project-Initiated Financial Audit.
- Travel to other projects for learning and host other projects for learning.
- Many specific GL codes may be assigned to multiple functions. For specific instances where this may occur, please refer to the chart in Chapter 13.
- Visits from Unbound Headquarters should be expensed under Fund 45.

4.1.2   Sponsor Relations Expenses

Sponsor Relations Expenses refer to the indirect program function of the project and sponsored members communicating and engaging with the sponsors. The primary function is the letters and photos sent to the sponsor, typically handled by the correspondence personnel. This function also includes Awareness Trips and other sponsor visits.

The expense ratio is expressed as a percentage of sponsorship income (fund 10,15,19) in a given period, distinct from administrative or program overhead expenses.

Guidelines regarding Sponsor Relations Expenses:

- Members of the Correspondence Department focus the majority of their work on Sponsor Relations, and their salaries and benefits should be charged to Sponsor Relations.
    - o   Many other personnel in Unbound projects will engage in some work that relates to Sponsor Relations, such as social workers supporting letter writing camps, photos, etc. However, as these are not the majority of their job function, they should not be allocated to sponsor relations expenses.
- Postage for packets mailed to Unbound Headquarters with letters and photos.
- Stationery for Child Letters.
- Photos.
- Translation.

- Many specific GL codes may be assigned to multiple functions. For specific instances where this may occur, please refer to the chart in Chapter 13
- Awareness Trips and Individual Sponsor Visits should be booked to Fund 45 and in addition, program code 240 and 250 must be used, which corresponds to the costs of relationships with sponsors. And GL 15XXX for AT and 15XXX for ISV.

4.1.3 **Program Expenses**

Program expenses refer to those expenses that are incurred in the direct and indirect delivery of benefits to sponsored members, the funds that are transferred to individual beneficiary bank accounts, and the costs of any benefits purchased directly by the project.

GL Codes, which begin with 5 are direct benefits to the sponsored member; GL Codes beginning with a 6 are considered program overhead expenses, and them will be administrative for analysis purposes. When expressed as ratios, overhead may express a percentage of sponsorship income in a given period.

Guidelines for typical Program expenses are noted below:
- Direct Disbursement of funds to beneficiaries.
- Training/Livelihood Support/SMG meetings.
- Payments on behalf of sponsored members to purchase benefit items.
- Nearly all personnel in Unbound projects engage in some program work and some administrative work. The positions listed below are deemed to be program in nature with an immaterial administrative component to their job. Thus, the policy is that they should be coded 100% to Program:
  - Subproject Coordinators.
  - Social Workers (also referred to as community workers, field workers, animators, etc.).
  - SMG or other Program Coordinators at the Coordinating office.
- The corresponding benefits for these employees, such as bonuses, health insurance, and payroll taxes, etc., should be booked to the same function.
- Rent, utilities, internet, phone, and maintenance expenses related to the Subproject or Zone Offices
- Travel to the field to conduct home visits or meetings of sponsored members (typically overhead not direct benefit).
- Costs of providing child files.
- Recruitment of new sponsored members.

4.2 **Method of Payment**

While we acknowledge the cash-based economies of many of the countries where we work, Unbound prefers the use of bank instruments for most payments. With approval and verification processes in

place, these methods of payment provide greater security and transparency. Specific guidelines for payment methods, particularly cash, are detailed below.

4.2.1 **Payment by Check**

Checks are bank instruments that entitle the payee to draw funds from the bank account of the entity making the payment. Checks require authorized signature(s) that are typically verified by the bank before payment is released, enhancing the security of the payment.

Payments made by check should be made payable to a vendor, not to an individual beneficiary of the project, unless the vendor and the individual are one in the same. Checks should match the name listed on the source document (e.g., invoice), and the amount of the check should match the amounts billed on the source document(s). Checks should only be drafted and signed after the payment has received the appropriate approval. Checks should require a minimum of two signatures to be valid. Checks can also be used for advances for employees when it is not possible to provide the advance through bank transfer.

Unbound staff and project board members may not sign checks for any expenditure that is not within Unbound policy guidelines. For more information, see the section in this manual about signatures on bank accounts.

Under no circumstance may the authorized signatories sign checks with blank payees or amounts.

4.2.2 **Payment by Electronic Transfer (EFT, ACH, Wire, etc.)**

Electronic payment facilities typically also require multiple authorizations by the organization initiating the payment, as well as bank verification. As such, they are also an acceptable and preferred form of payment for Unbound projects. All electronic payments initiated by Unbound projects should follow the appropriate internal authorizations and should require dual authorization with the bank where possible.

Electronic payments should be made to vendors whose banking information matches the source documents (e.g., invoices), and amounts should match the amount billed by the vendor. In the case of payroll and transfers to beneficiaries, the project should retain appropriate documentation of amount, purpose, and recipient.

Projects should not have ATM, Debit, or Credit Cards as means to draw funds on Unbound bank accounts. Such forms of payment allow access to Unbound assets without appropriate authorization. Exceptions to this policy must be formally authorized by Unbound Headquarters.

4.2.3 **Payment by Cash**

Cash creates a risk of misuse and theft that is greater than the bank instruments noted above. Accordingly, Unbound-Headquarters strongly discourages the use of cash.

Cash maintained at the project or subproject should be minimized. The project coordinator is responsible for establishing policies and procedures to guarantee the protection of any cash maintained at the project or subproject offices.

A staff member should be the assigned custodian of any cash held in the office, and the custodian may not be the Project Coordinator or any member of the Project Accounting staff.

4.2.3.1 **Petty Cash**

Petty cash refers to a small amount of money held for administrative expenses between USD 20 and USD50; replenished monthly by the amount spent and documented with receipts. The amount held in the project or subproject offices for petty cash purposes should be capped at USD 300.

If a higher cap should be necessary, the project must secure approval from Unbound-Headquarters. Approval should be renewed annually during the budget approval process.

All withdrawals from the petty cash account must be approved by an authorized staff member prior to the withdrawal and tracked in a cash log on a daily basis. Approved expenses from petty cash are typically intended for administrative purchases.

Staff members who utilize the project cash must return all receipts and any remaining cash equal to the amount taken in order to clear up the withdrawal. Reconciliations and liquidations must generally be completed on the same day as the expenditure, and all receipts must be verified and filed.

The petty cash should be reconciled with the cash log at least weekly to verify the balance on hand. Following the reconciliation, the entries should be made in the accounting system. The cash logs and the accounting system must be reconciled at least monthly.

Policies regarding the withdrawal and use of petty cash should be documented and communicated to appropriate staff members.

4.2.3.2 **Cash Advances to Staff**

Expenses for routine administrative or program overhead purposes to be paid in cash that exceed the USD 50 limit should be handled through employee advances. This may include expenses for travel, or other business purposes such as an item for which a vendor will not accept a bank instrument as payment and an alternate vendor cannot be located.

Employees must submit an advance request or purchase order to obtain an advance. The advance request should detail the purpose of the expense of the trip and the projected expenses for the trip. The purchase order should contain a description of the items to be purchased, the reason for the expenditure, vendor name, quantity, item price, and total cost. All employee advances must be approved by two authorized staff members prior to the withdrawal.

Advances should be issued to the employee via check or bank transfer and not from cash held in the project office. Each advance should be recorded in the accounting system reflecting an advance issued and tracked by an employee identification code.

Staff members who have received an advance must return all receipts and/or the remaining cash equal to the amount advanced within 30 days of the advance. Receipts must be verified and filed, and the advance cleared in the accounting system by recording the appropriate expenses. Any remaining funds must be deposited back into the project or subproject bank account. If expenses exceed the advance amount the employee can be reimbursed.

This policy refers to advances for travel or business purposes. Unbound funds may not be used for personal loans or salary advances for staff.

4.2.3.3   Reimbursements to Employees

Employees should not routinely make purchases on behalf of the project from their own resources. Doing so may oblige the project to an expense that may not otherwise be approved.

In the event that it is necessary to reimburse an employee, the employee should submit receipt and full documentation of the business purpose of the expense. The reimbursement should be handled as any other expense, with appropriate approvals.

Reimbursements of less than USD 20 may be made, after approval, from the petty cash account. All other reimbursements should be issued via check or bank transfer.

4.2.3.4   Cash Purchase of Benefits, Large Purchases or Transfer of Funds

Unbound strongly discourages cash designated for the benefits of sponsored members being in the control of project staff.

In the event it is necessary for a project to transfer cash to subprojects, or to make regular purchases in excess of USD 100 in cash, or to purchase benefits with cash, or deliver cash to beneficiaries as a direct disbursement in lieu of transfer to a bank account, the project must have a detailed cash usage policy on file with Unbound-Headquarters. The policy must detail a system of adequate controls and procedures. The policy must be reviewed and approved annually during the budget approval process.

If funds for this purpose are held in the project office, they must be secured and managed separately from the Petty Cash account. The project coordinator or project accountant should not retain custody of the funds. The funds must also be accounted for separately in the accounting system and follow the reconciliation guidelines of minimum weekly cash balance reconciliation to cash log, and monthly reconciliation of cash log to the accounting system.

If funds are advanced to an employee from the cash held for this purpose, the advance may be held for a maximum of 48 hours before it must be recorded in the accounting system as an employee advance, tracked by the employee identification code.

Advance liquidations must follow the Cash Advances to Staff policy.

Policies regarding the withdrawal and use of cash should be documented and communicated to appropriate staff members. Exceptions to this policy must be formally approved by Unbound Headquarters.

4.3 Payroll

A payroll register must be maintained to document employees' salaries and benefits. Project salaries are administered in the local currency. Entries into the payroll register should be made for each pay period. The project must send an annual payroll register to Unbound Headquarters at the time the annual budget is prepared, or as requested, reflecting any changes that have been approved by Unbound Headquarters. The payroll register should also indicate if any staff member is related to any other staff member.

Projects and subprojects are only allowed to pay salaries of project employees. Projects are not allowed to pay individuals to do the work of another institution or organization. For example, projects do not pay teachers' salaries, or the salaries of employees of boarding homes, nutrition centers, etc. Similarly, projects do not pay salaries to individuals providing services to Unbound on a fee-for-service basis, or to employees of other organizations who provide services to Unbound.

The project is responsible for compliance with local labor laws for project employees only. The project coordinator should document the individuals receiving fee for service payments from project funds. The project coordinator is responsible for ensuring there is no confusion on who is a project employee and who is not and communicating this both to individuals and to Unbound Headquarters.

4.3.1 Fair Compensation

Unbound requires that employees be legally and fairly compensated. The project/subproject is required to abide by the local minimum wage law. If not in compliance, an appropriate action plan should be developed.

4.3.2 Local Employment Laws

The project is required to comply with all of the country's legal requirements for payroll administration, including the requirements for the withholding and payment of payroll taxes, funding retirement benefits, and any other benefits required by law. Please refer to the section on human resources policy in the Sponsorship Manual for further explanation.

4.3.3 Employee Rosters and Salary Adjustments

The project coordinator must submit an employee roster with salary adjustment requests for all employees to the Unbound Headquarters project director.

Employee rosters and salary adjustment requests are submitted to Unbound-Headquarter every year with the annual budget. Other salary adjustment requests should be sent to Unbound Headquarters at least two months before the proposed adjustments would take place. All salary information should be shown in local currency.

Salary adjustments should be proposed within the context of Unbound core values and a desire to limit administrative costs while also providing quality service. In general, salary increases are based on merit and level of responsibility. Unbound does not guarantee salary increases based on the country's rate of inflation. It is especially important for the project to explain what factors they are using to

calculate the recommended salary adjustments. It is also important that adjustments be applied in a fair and consistent manner to all employees.

Salary rosters and salary adjustment requests should include the following information for each staff member:

- Name of employee.
- Job title.
- Month and year when employees start.
- Number of hours worked per week.
- Current gross and net salary.
- Proposed gross and net salary.
- Percentage increase, if any, of proposed gross salary compared to current gross salary.
- Current benefits, with each benefit listed separately, and with an indication of which are government-mandated, which are customary, and which are project-specific.
- Proposed benefits, with each benefit listed separately, and with an indication of which are government-mandated, which are customary, and which are project-specific.

Additional information requested:

- Rationale for any salary adjustments proposed.
- Rationale for significant deviations from the average salary increase percentage.
- Impact of salary increase on the project's administrative percentage (for example, the project's administrative percentage will increase from 12% to 13% with the proposed salary increase).
- Country's official inflation rate for reference purposes (please cite source).
- Country's minimum wage.

4.4 Sales Tax

As Unbound legal entities are established, it is important to ensure projects are fulfilling governmental requirements related to the payment of sales tax on purchases. Unbound's goal is to minimize taxes while abiding by all tax laws.

In some countries, non-for-profit organizations are exempt from sales tax. For this reason, it is important that the project staff researches the applicable tax law to determine if an exemption is available. If so, all required paperwork should be filed to obtain the exemption. If an exemption is achieved, sales tax should not be paid to the vendor or to the government directly. It may be necessary to hire a tax consultant to assess the availability of an exemption and to understand the legal requirements for filing timely tax returns.

If an exemption is not available, sales tax should be paid to the vendor whenever possible. The paid tax should be recorded on the receipt.

It is the responsibility of the project to ensure that all required sales tax is paid.

If an exemption is not available and the vendor does not accept the sales tax upon purchase, the appropriate tax should be submitted to the government directly. When the tax expense is recorded on the Unbound financial reports, it should be recorded in the same category as the original expense. For example, if food is purchased from a local farmer, any tax paid directly to the government on this purchase should be reported in the nutrition category in the financial reports.

4.5 Income Tax

It is important to ensure project legal entities are fulfilling governmental requirements related to the payment of income tax. Unbound's goal is to minimize taxes while abiding by all tax laws.

Not-for-profit/non-government organizations are normally exempt from income tax. The project staff should research the applicable tax law and pursue all available exemptions.

The project/subproject is expected to comply with all income tax reporting requirements.

5 <u>Balance Sheet</u>

The Balance Sheet reflects the financial position of the project. It is divided into three major sections, typically: Assets, Liabilities, and Fund Balance. The value of the Assets (what is owned) should be balanced by the sum of Liabilities (what is owed) and Fund Balance (the equivalent of Equity on a for-profit balance sheet and may often be referred to as Net Assets on not-for-profit reporting.) The balance sheet should reflect the full financial position of the project, incorporating all elements of economic value.

5.1 Assets

Assets are those items held by the project that have economic value. They include cash (bank accounts, cash-on-hand accounts, and cash equivalents), capitalized (fixed) assets, deposits, funds owed to the project, and inventory.

All assets held by the project should contribute to the core operation of Unbound, which is the support of sponsored members. Asset purchase decisions should be made with modesty and the core values of the Unbound philosophy in mind.

5.1.1 Cash and Cash Equivalents

The project should record all cash accounts – both physical cash and funds held in bank accounts – on the balance sheet. Each account should have a distinct GL code and be maintained by Fund. The project should report on all Unbound funds, cash accounts, and any local bank accounts. If the project maintains any other type of deposit or cash equivalent account, they should also be recorded.

Each cash account should be reconciled on a monthly basis in the accounting system.

5.1.2 Fixed Assets

Fixed assets are those items that have a life and economic value that exceeds one year and have a value that equals or exceeds a stated capitalization value and are owned by the project but not intended for distribution to beneficiaries. Asset purchases of USD 1,000 or higher must be capitalized.

A project may elect to set a lower defined capitalization limit, which should be stated in the local financial policy manual. This may be done as a result of local law, local accounting norms, or based on specific needs of the project. Such limits should be reasonable and manageable.

5.1.2.1 Acquisition of Fixed Assets

Any asset purchases greater than USD 1,000 using Unbound funds must also have prior written authorization from Unbound Headquarters and follow the authorization guidelines and the

competitive bidding guidelines found in section 7.3 and 7.4. Land purchase, construction projects, and vehicle purchases of any value require prior, written authorization from Unbound Headquarters.

All fixed assets should be labeled with a unique asset number matching the asset listing. Any vehicle belonging to the project should be clearly identified with the Unbound name and logo.

Acquisitions of vehicles, land, or buildings must be in the name of the project and not in the name of any employee or member of the board.

Assets belonging to the project should not be used for personal use by any employee or third party outside of the project. This would include the use of vehicles for personal travel, or use of laptops, cameras, and mobile phones for non-working purposes.

Projects are required to maintain an itemized asset listing reflecting acquisition cost, acquisition date, life, depreciation, residual value, gains and losses at disposal, and net book value. This information should be maintained in the Abila software, and details on specific entries may be found in the Abila User's Guide. If, for any reason, the listing is not maintained in Abila, the project must have approval from Unbound Headquarters, and the listing must be submitted to Unbound Headquarters on an annual basis.

5.1.2.2   Disposals and Sale of Fixed Assets

If an asset is written off for any reason, the project must maintain documentation signed by the coordinator and accountant, indicating the reasons for the removal of the asset. In disposals of USD 1,000 and up, Unbound Headquarters must be notified.

For sale of fixed asset USD 1,000 and up, Unbound Headquarters must be notified prior to the sale. Income received from the sale of the assets should be recorded as a Gain or Loss on Disposal of Assets in Abila using GL 83010. Projects are required to maintain proper documentation in the event that the sale is taxable based on local laws. All income received from the sales of fixed assets should be used for the benefit of our sponsored members.

5.1.2.3   Depreciation

Depreciation corresponds to the part of the cost of the fixed asset that has been "used" throughout the useful life of the asset. The recording of this expense does not imply a cash outflow and is reflected in the Statement of Activities. It is a reduction in the value of fixed assets on the Balance Sheet through credit to the GL code for Accumulated Depreciation.

The fixed assets are considered administrative assets, and therefore depreciation is an administrative expense. The projects should consider depreciation when they prepare the budgets when they plan to buy future assets, that is, they should reserve the equivalent of the depreciation value in their cash reserves for when it is necessary to replace the asset. Unbound recommends the straight-line or uniform depreciation method based on the estimated useful life of the asset. If local legislation establishes a different method, the project may request an exemption from the use of said method to Unbound Headquarters.

Depreciation must be calculated and accounted for at least once a year through the Fixed Assets module in Abila by the project accountant or the Unbound-Headquarter regional accountant. And it should include a reconciliation of the Fixed Asset Ledger and the General Ledger. In case the depreciation module cannot produce a depreciation in accordance with local law (example: when local laws establish a method other than the straight line), the project can decide to use the Abila module or not to calculate the depreciation.

5.1.2.4   **Depreciation Reserve**

The Unbound philosophy establishes that depreciation reserves for the replacement of fixed assets is done using the cash reserves that have been created for this purpose.

The suggested calculation for the creation of Reserves for the purchase of fixed assets is that the cash reserve should be equal to the value of the asset. A project can create and annually increase the reserve for the purchase of an asset relying on the amount that this asset depreciates annually. In such a way that at the end of the useful life of the fixed asset, there is a cash reserve for the same amount. The project may choose an alternative calculation in coordination with its Unbound Headquarters regional team, considering accounting regulations or actual fixed asset replacement needs. The Project must document the method it uses within its accounting policies.

There is no accounting entry for Depreciation Reserves, it is simply an amount reported in the Cash Reserve Report as a result of an analysis. The amount of the reserve will be reduced at the time of replacement of an asset.

5.1.2.5   **Acquisition of Major Assets (e.g., Land, Buildings, Vehicles)**

The policy on funding assets from depreciation reserves was effective in 2014. Prior to this point, many assets were funded by grants from Unbound Headquarters, and projects did not accumulate reserves in the process of depreciation. This means that many older assets, particularly vehicles, buildings, and land, may not have adequate reserves to fund the replacement.

Projects are encouraged to strategically work toward holding appropriate reserves for vehicle replacement.

In the event a replacement is necessary, and reserves are not sufficient to fund the replacement, the project should coordinate with Unbound Headquarters to facilitate the purchase. This may be accomplished through the use of the current year budget, grants, or possibly a repayment arrangement with Unbound Headquarters.

New purchases for land or buildings should also be coordinated with the regional team.

5.1.2.6   **Control of non-capitalized Equipment**

Projects should monitor and account for assets under USD 1,000 (cameras, computers, tablets, or mobile phones, etc.). For example, a project may elect to have a capitalization limit that is lower than the required USD 1,000. The project should record the purchase as a supply or minor equipment expense and should retain an inventory listing of such items.

The project may elect to retain the inventory listing in Abila using the Fixed Asset Module and marking such items as "Zero Book Value." Please refer to the Abila User's Manual for full description on use of this module.

5.1.2.7   **Fixed Asset Protection Insurance**

There should be a local policy regarding maintaining adequate protection insurance for fixed assets. The project should consult with Unbound-Headquarter regarding the contracting of fixed asset protection insurance.

5.1.3   Inventory

Unbound recommends timely and complete distribution of benefits to beneficiaries, with preference to individualized benefit purchases made by families. As such, we discourage the practice of the purchase of bulk benefits for the project.

If the project purchases and stores benefit items for future distribution, the purchase should be recorded on the balance sheet as inventory. If the project receives items, food donations, etc.; it must also be registered in this account and credited to the income-in-kind account. The project has to contact its Regional Accountant in Unbound Headquarters to maintain a system to control its inventory.

Disbursement of the items to beneficiaries should be tracked, and the expense recorded at the time of disbursement.

A detailed inventory log must be maintained including an itemization of all additions and withdrawals. Similar to a withdrawal of cash, the distribution of inventory requires authorization by two pre-determined staff members who sign the inventory log book.

Also similar to cash, inventory must be reconciled each month to ensure accurate and proper accounting for all items. The reconciliation must include a physical count of the inventory compared to the inventory listing, verification of appropriate signatures for all distributions, and reconciliation to the inventory account balance in the accounting system.

5.2 Liabilities

Liabilities refer to obligations of payment from the project to a third party, reflecting future payment based on past transactions or events. They are reflected as a credit on the balance sheet, reducing the economic value of the assets.

Unbound Headquarters does not authorize the accumulation of liabilities for purchases on credit or terms. Unbound projects may accrue payroll withholdings and retirement benefits of staff if held by the project. The liabilities section may also reflect the amounts owed to-sponsored members that are pending to transfer to their individual bank accounts. This applies to the specific case of the "liability

method" (for more information, consult your regional Unbound Headquarters accountant). The liability may also reflect debts to other Unbound entities.

5.2.1 Retirement Benefits Held by Project

Projects that provide a retirement benefit to employees may elect to invest in a reputable retirement scheme with an insurance or fund management company. Depending on the structure, the holdings may be listed as an asset and an offsetting liability reflecting the obligation to pay to employees. If the other company administers and disburses the payments to the employees, it is not held by Unbound.

In the rare event that a project holds the funds designated for retirement benefits for their employees, these funds should be held in a separate bank account and clearly indicated as a liability on the balance sheet. If possible, this account can be joined by the project and the employees. In this case, the project should retain clear and complete documentation as to what is owed to each employee.

5.3 Project Reserves

Projects and subprojects are not allowed to accumulate cash reserves without a designated purpose indicated in either the sponsored members' benefit plans or the project's budget.

Unbound encourages sponsorship programs that promote planned, personalized benefit choices by sponsored members. Sponsored members may choose to save their benefit money for future use, such as for school tuition or to purchase a major asset, in accordance with their personal benefit plans.

In project using beneficiary bank accounts, the savings should be held by the beneficiary in their own account. If the project holds beneficiary funds, they should be reported appropriately and project cash reserves may build as a result of these funds.

It is important that the amount of cash reserves held is compliant with local legal requirements.

Projects must diligently track all reserves. Projects should know exactly what money they are holding and why. Projects must submit monthly cash reserves reports indicating the amounts held for:
- Sponsored member benefits waiting to be transferred to child accounts.
- Sponsored member benefits held by the project.
- Final benefits of retired members not yet distributed.
- Service-scholarship money not used.
- Depreciation reserve and/or cash held for a capital purchase.
- Retirement benefits held for project employees.
- Other – such as - Social laws, Contingencies, Expenses pending execution, Cash in hand, Difference due to exchange rate variation or others (specify).

Project reserves as reported on the cash reserves report must be the same as cash accounts reported in Abila.

5.3.1 **Sponsored Member Benefits Waiting to be Transferred.**

Funds transferred to beneficiary bank accounts should typically be transferred within one month of receipt, and no longer than within 1 quarter, based on the efficiency, affordability, and availability of bank transfers. The project should clearly identify funds that are held in the main project bank account that will be transferred to beneficiary accounts on the next periodic cycle.

Cash held in all Funds that will be disbursed to beneficiary bank accounts should be reported in this category, including sponsorship, birthday, Christmas/Festival, Service Scholarship, Family Need, and known disbursements for Most in Need. Funds that will not be disbursed to a beneficiary account should not be reported in this category.

5.3.2 **Sponsored Member Benefits Held by the Project**

A project that uses beneficiary bank accounts typically has a few sponsored members who are either unable to obtain a bank account, or who are in the process of obtaining a bank account. The project should not restrict access to benefits for these members. Funds belonging to these members should be treated as if they are held in a bank account, and the project should provide the same access to the funds as sponsored members with bank accounts have.

If such funds are held longer than 3 months, the project has to keep a list of these members. The funds should be accounted for and reported on the Cash Reserve Report.

Likewise, if the project provides withdrawals to all beneficiaries for them to make personalized purchases, the funds should be accounted for in this category as well.

Cash held in all Funds that are managed by the project and disbursed directly to beneficiaries should be reported in this category, including sponsorship, birthday, Christmas/Festival, Service Scholarship, Family Need, and known disbursements for Most in Need.

5.3.3 **Final Benefits of Retired Members Not Yet Distributed**

Benefits that are designated by the project as Final Benefits which are pending disbursement to retired members or pending reclassification should be reported on the Cash Reserve Report. This category tracks benefits that have been reduced by the families and social workers because the beneficiary is not active. Therefore, proper documentation and control measures must be implemented to ensure that the necessary measures have been taken to deliver the final benefits.

5.3.4 **Service Scholarship Money Not Used**

This category applies only to Service Scholarship funds that were not utilized according to the scholarship plan and were not disbursed to scholars. This is reported as a distinct category so that the Project and Unbound Headquarters may analyze what funds are available and should correlate to the amount reported on the Scholarship Annual Report.

Service Scholarship Money that will be disbursed to scholars should be reported under "Sponsored Member Benefits Waiting to be Transferred" or under "Other" with a specific indication of the plan to disburse.

5.3.5 Depreciation Reserve and/or Cash Held for Capital Purchases

As noted above, the suggested method of calculation for the creation of Reserves for the purchase of fixed assets should be equal to the value of the asset, in such a way that at the end of the useful life of the fixed asset, there is a reserve of cash in the same amount. The project may also choose an alternate calculation in coordination with its Unbound Headquarters regional team.

If an alternate plan is in place for depreciation reserves, this amount should be equal to the amount as per a formal calculation of reserves detailed in the alternate plan.

The project may also elect to hold in reserve designated funds for the purpose of new capital purchases that are not replacement assets, which may be above and beyond the depreciation reserves. Those may be included in this section of the Cash Reserves report, and there should be clear documentation as to the plan. Projects may not save for vehicles, land, or buildings without express authorization by Unbound Headquarters.

5.3.6 Retirement Benefits Held for Project Employees

If the project is holding funds for retirement benefits for employees in lieu of a formal retirement or fund management plan, or in lieu or in addition to a government pension scheme, they should be indicated on the Cash Reserve Report. These funds should be held in a separate bank account reserved for this purpose.

5.3.7 Other Cash Reserves

All cash held by the project that does not meet the descriptions of the six sections above, should be listed in the "Other" section of the Cash Reserve Report. The project should use the additional lines to indicate specific designations of material items.

For example, if the project intends to purchase a bulk benefit for birthday gifts, it may be reported under "Other" with indication of "purchase of item for birthday gift in November" and then reflect the amount designated for this purpose in the Fund 20 column.

Unbound Headquarters does not endorse the holding of undesignated reserves. However, if you do have specific amounts that do not meet any other categories, or specific intentions, it should be reported under Other as Undesignated. Such designation should indicate to the Project Accountant, Project Coordinator, and Regional Team that the funds should be reviewed and allocated.

6 <u>Banking</u>

6.1 Bank Accounts

Unbound funds should be held in a checking account, in the local currency at a stable banking institution, in the name of the Legal Entity, Project, or Subproject. Project bank accounts may not be established under the name of an individual.

Each project and subproject will generally have one bank account for Unbound funds, which serves as the primary operating account. An additional bank account may be opened for reserve purposes on retirement benefit. The opening of any bank account must have prior approval of Unbound Headquarters.

Each project must send appropriate documentation of all accounts holding Unbound funds to Unbound Headquarters. The project must notify Unbound Headquarters of any changes to the bank account, including a change of signatories.

6.2 Signatures on Bank Accounts

Each bank account should have a minimum of three authorized signatories and subproject bank account should have a minimum of 2 authorized signatories due to limited staff at the subproject level. The signatories may be staff or board members of the project. The project/subproject accountant should not be a signatory on any account to which they have access to post in the accounting system. If staff size creates limitations on this policy, a clearly detailed alternative must be documented and authorized by Unbound Headquarters.

The coordinating office should retain a copy of the signature card (or equivalent documentation) from the bank, showing the names and signatures of those authorized to sign onto the account. A copy should also be provided to Unbound Headquarters. Any revisions should be forwarded to Unbound Headquarters as well.

The project should provide direct contact information for all authorized signatories to Unbound Headquarters.

All banking transactions, including checks and electronic funds transfers, require the signatures of a minimum of two of the authorized signatories. Signatories should never sign checks that are payable to themselves. Where reasonable and practical, they should not sign checks for which they also authorized the voucher for the expense.

A signature on a banking document, such as a check or EFT, indicates final approval of the expense. The signature indicates that the signatory has verified that the voucher for the expense contains the appropriate coding, description, and authorization, and that it matches the source document (e.g., invoice). It also indicates that the signatory has verified that the expense is following the policies of Unbound.

The person asked to sign a check has the responsibility to refuse to sign the check and notify the regional team at Unbound Headquarters if the expenditure is not within Unbound policies.

Under no circumstance should an authorized signatory sign checks with blank payees or amounts.

6.3 Bank Reconciliations

The project/subproject is required to reconcile all bank accounts on a monthly basis. The bank account reconciliation should be completed or verified by someone other than the authorized person on the account.

The project is required to submit a copy of the bank statement and reconciliation, signed and dated by the project accountant and subproject coordinator, to Unbound Headquarters on a monthly basis. In the event that it is not possible to obtain the signatories, the project must implement a procedure to ensure the reconciliations are approved.

6.4 Cash on Hand Reconciliations

The project/subproject is required to reconcile all cash on hand accounts on a monthly basis as well.

As per the Internal Controls section of this manual, cash on hand should be maintained by a staff member who is not on the accounting staff. Cash should be counted and verified against a daily cash log, and then the accounting department should enter into the transactions in the accounting system.

Each month the account in the accounting system should be reconciled against the cash logs, which effectively serve as the statement for the account.

7 <u>Internal Controls</u>

Unbound projects should have a system of internal controls that enable the project to conduct business in an efficient manner, safeguard assets and resources, ensure accuracy and completeness of accounting data, deter and detect fraud, produce reliable and timely financial information, and ensure adherence to policies and plans.

Internal controls establish guidelines and procedures to ensure proper documentation, authorization, and data entry.

The Project will maintain a Manual for Financial Policies and Internal Controls that concentrate the internal controls and financial policies and procedures.

7.1 Separation of Duties

A foundation of internal controls is the separation of duties, which require more than one individual to complete a task, increasing accuracy and reducing the risk of malfeasance. Some minimum separation of duties measures each project should implement are as follows:

- Staff members who approve expenditures, bank transfers or sign checks should not have access to record expenditures in the financial system.
- The staff member making a purchase should not approve of the same purchase. If a purchase is made by a person who can approve expenditures, pre-approval should be given by another staff member with authorization duties.
    o There should be a pre-determined staff member who authorizes expenses by the project coordinator.
- The process of data entry and posting in the accounting system should be separated. For example, if a staff member is responsible for entering bank payments, another staff member should review and post them.
- The staff member who processes bank payments should not reconcile the bank account and the staff member who processes cash payments should not reconcile the cash account.
- Staff members authorized to sign checks should not have access to the supply of blank checks.
- The staff members authorized to sign checks should also not reconcile the bank account in the accounting system.
- The staff who authorize bank transfers should not have access to make accounting records.

As with all items in this manual, if the size of the staff creates limitations appropriate arrangements should be agreed to and documented with Unbound Headquarters.

7.2 Documentation

Appropriate documentation of accounting transactions is a fundamental element of internal controls. Documentation identifies purpose, description, amount, and authorization of each transaction. Documentation should include a source document (such as an invoice or receipt) and a voucher detailing the expense and showing the authorization for the expenditure.

7.2.1 Source Documents

Source documents refer to the documentation obtained from a third party detailing the information related to the transaction or may refer to internal documentation supporting disbursement of benefits or the justification for a Journal Entry.

7.2.1.1 Financial Memo/Notification of Payment

Unbound Headquarters provides a monthly Financial Memo and Financial Detail report that document the funds that are forwarded to the project each month. The project should retain these reports to properly document the purpose for recording income and the allocation of those entries.

The project should also retain documentation from any other source of funds coming into the bank or cash accounts. This may be proof of interest earned from the bank, a donation from a local source, etc.

7.2.1.2 Proof of Purchase

Items purchased directly by the project or subproject from a third party must be supported by proof of purchase document such as a legal receipt, an invoice, or other proof of purchase. Such documents should contain information that reasonably conveys the name of the vendor, any legal information required to identify the vendor, the date of purchase, a description of the items purchased, the quantity, price, and total amount.

Where possible and practical, the source document should reflect acknowledgement by the vendor as to method of payment and amount received.

If a vendor is not able to provide a receipt, the project should secure acknowledgement of payment from the vendor on a project payment voucher.

7.2.1.3 Disbursement of Benefits

Projects that provide benefits to members via transfers to beneficiary bank accounts, or other means of placing families in direct control of their benefit funds, should retain documentation indicating appropriate information about the beneficiary and the amount disbursed to the beneficiary. This information may be retained in a database or other records, but the transactions reflecting disbursement should be accompanied by adequate printed documents or PDFs (or other reliable, stable, unchangeable images). In this case, the voucher and internal documentation may be a single document, provided it meets the requirements of both documents.

Projects purchasing benefits in bulk on behalf of beneficiaries or employing the use of store voucher agreements should retain documentation as per the Proof of Purchase guidelines above. This should include the use of purchasing committees for the selection of vendors for both purchases and voucher agreements, as well as appropriate documentation of inventory and disbursement of inventory on a per-beneficiary basis.

7.2.1.4 Proof of Purchase – Individual Beneficiary Bank Accounts

Projects that provide benefits to members via transfers to beneficiary bank accounts, or other means of placing families in direct control of their benefit funds, should develop internal policies for this process to comply with local laws and satisfy the project's internal needs for documentation. Unbound Headquarters does not require families to submit receipts, and instead relies on proof that funds were placed in the control of the family as satisfying the documentation need.

7.2.2 Vouchers

The project should document accounting transactions with a vouchering system. A voucher serves to record information about the transaction and the authorization of that transaction. A voucher in a standard format should be completed for each transaction and filed with the supporting documentation. All vouchers should include the following elements:

- The name and address of the legal entity
- Date
- A control based sequential number, specific to the type of voucher. See below for additional information.
- Amount
- Fund, GL, and Dept/Prog code.
- Detailed description or narration of the entry
- A signature and printed name of the preparer
- Authorization indicated by signatures and printed names of two authorized signers.

7.2.2.1 Receipt Vouchers

The project should maintain a standard format document that details how income from Unbound Headquarters was allocated and posted. This document may reflect the conversion to local currency and calculation of administrative percentage, for example. The transfer should be logged with a sequential identification as the Receipt (voucher) Number, which should also be reflected as the Receipt Number in the Abila software.

The document should detail the Fund, Dept/Prog code, and GL code applied to all funds, as well as reflecting any bank charges withheld. The payment should reflect the name of the remitter. This document can be computer generated but should be printed and signed by the preparer and the approver(s) or stored and signed in a PDF or other stable document image format. In either case, it should be matched to the Financial Memo.

Bank Interest and other income from local sources should also be documented on a receipt voucher reflecting a control number to correlate to the Receipt Number in Abila and reflecting full information as to coding and description of the transaction. This format should indicate the name and address of the payer. This may be pre-printed or generated electronically and then printed and approved.

7.2.2.2   **Payment Vouchers**

The project should maintain a voucher or series of vouchers supporting the payment process. These may include, but are not limited to, a purchase/expense authorization, payment voucher, petty cash voucher, and payroll voucher.

On check payments, the Voucher Number can be the check number, which is the number entered on the document in Abila. For EFT, Petty Cash, etc. a numbering stamp or other sequential control may be used, which will then be used as the document/check number in Abila.

The voucher should reflect the name and address of the payee or vendor, as well as a per-unit cost. A spot for the payee to sign to acknowledge receipt of payment is also recommended.

For expenditures with complex or multiple lines of coding, the voucher may be generated electronically, and then printed to secure signatures. For payments with source documents, the voucher should be matched to the source document for filing. In the case of funds being disbursed to beneficiaries, a document generated from the data reflecting beneficiary information for the transfers may serve as both the source document and voucher, provided it has the appropriate areas for approvals.

7.2.2.3   **Journal Vouchers**

The project should maintain a standard Journal Voucher format to record entries that will be processed as a journal entry. This voucher would be supported by source documents that may be created internally to document the need for an entry, which could include e-mails, printed proof of entries in the system that need to be corrected, etc.

The voucher format should include the above, allowing for both debit and credit entries. As with payment and receipt vouchers, longer entries may be generated electronically and printed for signatures and record retention.

7.3 Authorizations

The project/subproject is required to implement and follow a system in which all expenditures are authorized by at least two pre-determined staff members. This strengthens the internal control systems in the project, ensuring that entries are not made to the accounting records without proper review.

No staff member, including the coordinator, may approve expenses that they incur directly, or from which they benefit directly. There should, therefore, be at least three individuals assigned with authority to approve expenses within the project.

All purchases over USD 1,000 must be based on a competitive bidding process and authorized by a purchasing committee, prior to and in addition to the regular approval procedures.

All asset or program and administrative expenditures that exceed a total purchase of USD 1,000 must be documented on the purchase authorization form and approved by the Unbound Headquarters office. This includes any individual item with a cost over USD 1,000, combined purchases of similar items that exceed USD 1,000 within 60 days or purchases from the same vendor of over USD 1,000 within 60 days. No payment schedules, installments or liabilities can be incurred without the prior approval of Unbound Headquarters.

Projects are prohibited from purchasing land, buildings, or vehicles, or creating savings plans for such purchases, without the express authorization of Unbound Headquarters.

It is the responsibility of anyone authorizing an accounting transaction to ensure that the transaction meets the guidelines of this manual and is within all guidelines of the project's financial manual. If the expenditure is not within Unbound policy guidelines, the signer has the responsibility to NOT approve the expenditure, and to notify the regional team at Unbound Headquarters.

If the size of the project is 5,000 beneficiaries and above and USD 1,000 implies a lot of requests for approvals, the project could ask Unbound Headquarters offices an increase of this amount, according to their real needs.

7.4 Specific Controls

The system of internal controls should include specific actions, activities, and scenarios that are required, monitored, or prohibited in the interest of safeguarding funds and ensuring accurate, efficient, and ethical accounting. They in no way are considered a comprehensive listing, but rather reflect specific areas of concern based on previous incidents or reasonable anticipation of necessary control.

The following are specific areas of internal control that are required to be part of the project's controls. This list is not to be considered comprehensive, but rather reflects items of reasonable concern and anticipation of need.

7.4.1 Competitive Bidding Process

As a measure of control and to avoid real or perceived conflicts of interest, any purchases from Unbound funding over USD 1,000 must be based on a regular and documented competitive bidding process that is managed by a purchasing committee. The documentation of the process should be readily available to all staff and any internal or external auditors.

The project should secure bids from a minimum of three vendors for items of identical or similar specification. Potential vendors in a competitive bidding process should not know of the details of bids made by other vendors. Unbound prohibits sustaining exclusive or preferential relationships with vendors. When possible, Unbound encourages the rotation of vendors.

The purchasing committee must have at least three members. At least one member of the purchasing committee must work outside the central office. Parents of sponsored families should have some representation on the purchasing committee. Purchasing committee members must rotate every two years.

The project coordinator and project accountant are not allowed to serve on purchasing committees. Their role is oversight of the committee. This concept should extend to the subproject – meaning that if a purchase committee is convened at the subproject, the subproject coordinator and accountant may not serve on that committee.

All purchasing committee members must authorize each purchase in writing, including an affirmation that they did not receive any consideration from the vendor. All meetings with vendors must include at least two people representing Unbound.

The selected vendor must also sign an acknowledgement that they did not provide any consideration to members of the purchase committee or any other representative of the project in exchange for the business.

7.4.2 Treatment of Unused Benefits

The project should communicate with beneficiaries regarding any funds designated for them. At times beneficiaries become inactive from Unbound and the project finds that the beneficiary had no stated purpose for those funds. Some active beneficiaries refuse to comply with the policies of the project.

The project should have a clear and well-documented policy in place detailing when they may suspend disbursements to the beneficiary account, and when the beneficiaries may be retired. All funds designated for that beneficiary must remain so designated until retirement, at which point the funds may be classified as unused or final benefits.

Funds that have been disbursed to the beneficiary bank account belong to the sponsored member, and the project should make every effort to ensure that the beneficiary has full access to these funds once the beneficiary is retired.

Unclaimed sponsorship benefits and sponsorship funds must be redirected within 90 days of retirement to another sponsored family, or a family waiting for sponsorship, or to benefit the entire group of sponsored families (e.g., through increased benefits, or classification to Most in Need). Receipt of benefits by the alternate family or the reallocation must be documented.

Any reallocation of unused or final benefits, or any movement of funds held from suspended disbursements requires specific approval by two authorized approvers. If such entries are included in a bulk group of entries, they must be highlighted and acknowledged by the approvers. If possible, such entries should be distinct entries.

7.4.3 Accountant Independence

The accountant must be independent in the performance of his or her accounting responsibilities for project and/or subproject. This means:

- The accountant cannot be a relative or romantic partner of the project or subproject coordinator or of anyone who has the authority to authorize financial transactions for the project or subproject.
- The accountant should exercise his or her professional integrity and responsibility to report directly to Unbound Headquarters if there is anything wrong, or if he or she suspects anything is wrong, in the financial operation of the project or subproject.
- The accountant cannot be fired or released from the project or subproject without the knowledge of Unbound Headquarters. Unbound Headquarters has to be able to interview the accountant before he or she is fired.

7.4.4 Asset Use and Monitoring

Unbound assets, including vehicles, office equipment, computers, computer networks and programs, etc. are considered to be solely project resources and are intended for use for business purposes only. Proper control of the assets is required.

All assets should be marked as property of Unbound with an asset identification number. Any vehicle belonging to the project should be clearly identified with the Unbound name and logo.

The project should maintain records to track the use of project assets, including the name of the person to whom the asset is assigned, the date of assignment, purpose, and signature of the person authorizing use of the asset. Assets should not be loaned, rented, or otherwise permitted for personal or external use.

Vehicle logs should be maintained to track the use of project vehicles including the name of the person using the vehicle, the date, the reason for use, the beginning mileage, the return date, the ending mileage, and a signature of authorization. If there are no secure parking facilities at the project or subproject office, vehicles should be kept at a secure parking facility and not at a personal residence.

The project coordinator should authorize one or more staff members to monitor and authorize the use of assets. No person may authorize his or her own use of an asset; such should be reviewed and authorized by another designated person.

Approval for expenditures related to the use of assets should follow project expense reporting procedures.

7.4.5 Prohibition on Acceptance of Bribes, Kickbacks, Commissions, Discounts, and Rebates from Vendors

Projects and project staff members may not accept anything of value from vendors for personal use. Acceptance of gifts or commissions for use by staff is considered by Unbound as the equivalent of accepting a bribe.

Any donation, discount, or rebate provided by a vendor should be clearly receipted and immediately reintegrated into the funds of the project for the benefit of the sponsored members. All discounts and rebates must be reported to Unbound Headquarters.

The project must ensure that the vendors are informed through the 'veto risk to vendors' letter about this policy.

7.4.6 Conducting Business Free of Conflicts of Interest

All agreements to purchase goods or services using Unbound funds should be made in an environment that is free from conflicts of interest. No Unbound staff member, Unbound board member, or relatives of either should benefit personally from purchasing decisions. This concept is often referred to as conducting business "at arm's length."

The project and subproject staff, including temporary or part-time employees, may not enter into any contract for goods or services with any person with whom they share family or financial interest. This may include, but is not limited to, family members, romantic partners, or partners in other business ventures. The definition extends to the purchase of goods and services from businesses owned by relatives and renting buildings or equipment from businesses owned by relatives.

If a project coordinator believes that an exception should be made, detailed information must be provided to Unbound Headquarters, including detailed descriptions of the services or goods to be purchased, statements as to why this is the best choice for the project, and full documentation of the bidding process. Approval must be received from Unbound Headquarters before a project is allowed to do business with any party with whom they share financial interest, such as a family member, romantic partner, or business partner.

7.4.7 Funds Generated by Sponsored Families

Funds earned by sponsored families through an income generation project should not come under the control of Unbound staff at any time. Group projects or cooperatives should maintain their own control and accounting of income and expenses.

Sponsored families may elect to raise funds for service projects or to benefit the community, but all planning, implementation, and management of funds raised for such activities are the responsibility of the sponsored families and not of Unbound.

Funds raised by sponsored families should never be merged with project funds.

7.5 Financial Data Review

To support the element of internal controls that provides the structures and procedures to detect and deter fraud, regular review of financial data is important.

The project, zonal, and subproject coordinators should review financial performance of their entity on a minimum of a monthly basis. The review should include a minimum of a review of budget versus

actual variances, review of bank statements and reconciliations, and a review of the balance sheet and reserves.

The project is also required to actively monitor and manage the financial activities of subprojects. This requires the project to obtain the annual work plans and budgets of the subprojects, review monthly financial reports, bank statements and bank reconciliations, and review and discuss financial information with the subproject coordinator monthly.

Regular and routine communication with subprojects on this topic is vital to creating and maintaining sustainable structures. The project requires each subproject at least once per year to review financial data.

A post-visit report should be completed which outlines major issues and items requiring follow-up. The project and subproject should arrange an implementation plan to resolve any problems in a timely manner. Projects should provide a copy of the report and completed implementation to Unbound-Headquarter.

Projects have the authority and responsibility to hold funds from subprojects if a project staff member suspects financial mismanagement. If such a situation occurs, projects must notify and work with Unbound Headquarters to resolve the situation quickly.

7.6 Data and Records Retention

The project should take measures to retain and secure accounting records, preserving the documentation of the transactions and the evidence of accurate accounting.

7.6.1 Data Backup

All accounting data stored on project computers should be backed up to an external data source that is stored offsite. The backup should occur a minimum of once per week but may occur more frequently. Backup should be to secure media, such as removable hard drives, or may be to a secure remote location (commonly referred to as "the cloud").

Abila data is stored by a third party at a remote location.

7.6.2 Records Retention

Physical copies of accounting documents, or complete images stored digitally, should be kept in accordance with local accounting and legal regulations and norms, or as per Unbound policy, whichever is longer.

Absent a local norm or law, Unbound requires that accounting documentation be retained for five (5) years and should be retained in complete fiscal years. For example, transactions incurred between 1 January and 31 December 2020 should be retained until the books for 2025 are audited and closed.

If local law requires less than 5 years, the documentation should be kept under the Unbound policy; if local regulations require more than 5 years documentation should be retained according to the local law.

It is recommended that employment information be archived permanently.

7.7 Local Financial Manual

A local financial manual is essential because it provides a standardized set of guidelines and procedures for managing finances at the local level, often within government entities, nonprofit organizations, or small businesses.

Each project is required to have their Local Financial Manual, considering the Unbound Headquarters Financial Manual guidelines and their own policies. The project must update their manual at least once a year.

8 <u>Annual Budgets</u>

The annual project budget is a financial planning document outlining the projected income and expenditures for Sponsorship, Birthday, and Christmas, Agents of Change, Small Business Accelerator, Critical Needs, Henry Perez, and other Funds for the year. Each Unbound project is required to submit an annual budget that consolidates the coordinating unit and subprojects/zones.

The project may use its own internal budgeting tools for subproject budgets. The coordinating unit has the responsibility of reviewing and authorizing the annual administrative and program budgets from each zone or subproject and consolidating to a project budget.

The budget must be in accordance with the objectives of the year, which must be measurable, real, and achievable.

For consistency in analysis and to facilitate the process, as of 2016 annual budgets should be submitted on the template provided by Unbound Headquarters each year. This template is based on the Abila accounting structure. A blank template can also be shared with subprojects and then consolidated by the coordinating unit.

8.1 Income Projection

Unbound Headquarters will provide details about growth or reduction in sponsorships, the projected per-beneficiary disbursement rate in US Dollars, the projected birthday and Christmas disbursement, and any other relevant information to project income each year. The project should use an exchange rate in the budget that is reasonably conservative.

The template incorporates the growth rate, disbursement, exchange rate, and fulfillment rate into the calculation. The goal is to estimate revenue as realistically as possible, so that the project does not budget expenses that are too high or too low.

8.2 Salary Roster

The project should submit an annual salary roster that shows the name, position, hire date and compensation information. The compensation should be reflected as a gross salary as well as the cost of any benefits and bonus compensation. Unbound Headquarters will also provide a template for this submission.

The components of the salary roster should match the same codes on the Budget template, reflecting a clear connection between the detail on the roster and the income and expenditure projections.

8.3 Fixed Assets

The project should project the anticipated fixed asset purchases for the budget year. This would include all assets that meet the USD 500 capitalization threshold set by Unbound Headquarters, or any assets that meet the local financial policy as capitalized assets at the project.

The project should reflect whether the assets are replacement assets and will be offset by the depreciation reserve, or if they are new assets that will be acquired using current year income. If the purchases cannot be met by either of those options, the project must explain the funding plan.

Projects are required to obtain approval from Unbound Headquarters for all purchases of assets of USD 1,000 and up, included in the budget.

8.4 Expenditures

The budget should reflect anticipated expenditures by Fund, Program (function), and GL Code (object). The template provides space for Admin for Fund 10 and Fund 15; Sponsor Relations for Fund 10 and 15; Program Overhead (salaries, rent, supplies, staff travel) for Funds 10, 15, and 19; and Program Benefits for Funds 10, 15, and 19.

The project is responsible for projecting appropriate percentages for administration and sponsor relations, expressed as a percentage of total income. The project should also monitor and select appropriate use of funds for program overhead, such as program staff salaries, subproject rent, and program related supplies and travel. Each of these measures is designed to ensure maximum benefits delivered to the beneficiaries.

8.5 Budget Monitoring

A budget is considered a guideline and projection for the project. Although budgets should be as realistic as possible, situations and plans can change, which will be reflected in the recording of actual expenditures. It is important that once approved by Unbound Headquarters, the project budget should not change. This allows the Project and Unbound Headquarters to monitor budgeted expenses and variance in actual utilization.

It is equally important that actual expenses are recorded to reflect actual activity. Projects should not record an expense that is not consistent with the actual purchase in order to match the budget.

Projects should be able to explain the differences between budgeted and actual expenditures.

Unexpected and unbudgeted expenses that are material in amount or scope – generally USD 1,000 - should be pre-approved by Unbound Headquarters.

9 <u>Misappropriation of Funds</u>

In spite of good controls and procedures, projects occasionally become aware of the loss or misappropriation of funds. Unbound Headquarters takes such occurrences very seriously. The project is responsible for resolving such occurrences in a timely manner. This section provides guidelines on handling such occurrences.

9.1 Discovery

A project may become aware of misappropriation through a variety of avenues. While regular and detailed review of accounting data is important to this process, losses are often reported by staff or beneficiaries recognizing improper patterns in financial procedures.

In addition to implementing and monitoring internal control measures, the project should also provide an environment that encourages reporting and protects individuals who report suspected misappropriation from retaliation. Project leadership should take all claims of misappropriation seriously and thoroughly investigate each claim.

Each project and subproject should prominently display the information for the Fraud Reporting Hotline, accessible to staff and beneficiaries. Reports can be made online at https://unbound.integrareport.com

All claims that are received by Unbound Headquarters will be investigated thoroughly.

9.2 Evaluation and Documentation

When the project becomes aware of the misappropriation of funds, the project should immediately document the discovery and all pertinent information. Documentation should include how the loss was discovered, who was involved, and what is known about how the loss occurred. The project should review the Misappropriation Report found on PORTAL for reference to key points to consider.

The project should assess the severity of the misappropriation and determine whether a police report should be filed. In most cases, the project should file a report with the local authorities. If the project believes it is not necessary to file a police report, they must consult with Unbound Headquarters and have approval to handle the matter internally.

The project should evaluate whether internal controls were breached or if there were inadequate controls in place to prevent the loss. As necessary, the project should revise and implement appropriate controls to prevent a recurrence.

The project should also evaluate whether there was external influence, such as a vendor or bank. The project must end the relationship with the vendor or seek other banking arrangements.

9.3 Notification to Unbound Headquarters

The project should make reasonable effort to report theft, misappropriation, or malfeasance, regardless of severity, to Unbound Headquarters as soon as possible and provide the Report of Misappropriation no later than within 15 days of discovery, or sooner if feasible.

The project should use the Report of Misappropriation found on PORTAL in: Portal>Forms / Formularios>Finance & Accounting>Theft or Misappropriation of funds (Word – PDF)

This report must be completed and sent to Unbound Headquarters to report the loss and record the project's response to the situation.

The project should provide updates on reported losses until the situation is resolved. The regional team will provide support in evaluating controls if needed.

Changes to banking arrangements and policies and procedures should be communicated to Unbound Headquarters and documented to staff as appropriate.

9.4 Repercussions to Perpetrator

The highest priority in resolving a misappropriation is the recovery of funds, allowing Unbound to carry out our mission of service to our beneficiaries. However, it is also important to hold any parties who are responsible for the loss accountable for their actions.

If the perpetrator of the misappropriation is an individual or firm outside of Unbound, the project should document the loss and negotiate recovery of the funds if possible. The project should also file charges against the perpetrator. If the perpetrator is a vendor or banker, the project should also terminate any existing or future business with the perpetrator.

If a staff member is the perpetrator, or is in collusion with the external perpetrator, the project should take immediate measures to terminate the employment of the staff member. In addition, the project should negotiate repayment or recovery of the funds. Such measures may include surrender of any final employment benefits. As appropriate to local law, the project should also file a police report documenting the loss.

While discretion as to severity of the loss is important, the project must have approval from Unbound Headquarters if they elect not to file reports with local law enforcement.

9.5 Accounting for Misappropriation

In order to maintain accurate financial reports, and to accurately reflect financial activity, any misappropriation or theft should be recorded in the accounting system, and financial reports should be restated.

For instance, if a portion of the funds disbursed to beneficiary accounts is misappropriated, the code reflecting disbursement to beneficiaries should be reduced by the amount of the misappropriation and

that amount recorded to a separate gain/loss account. In the chart of accounts created for the Abila MIP fund accounting system, there is a specific account for recording losses due to misappropriation or other malfeasance.

If the loss is discovered in the same period it occurs, the adjustment should be made before closing the books. If it is discovered in a later period, depending on the materiality, it may be stated as a current expense or it may be necessary to restate financial reports.

9.6 Repercussions to Project

If financial mismanagement occurs or is suspected at the project level, or if the project fails to adequately monitor and control the financial management of the subprojects, or if the project fails to report discovered misappropriation, corrective action may be taken by Unbound Headquarters.

Corrective measures include the suspension of growth and/or replacement records, or temporary holds on the disbursement of sponsorship funds. Severe or repeated losses may result in the suspension or termination of the affiliation between Unbound Headquarters and the Project.

10 Required Unbound Financial Reports

In addition to the monthly and annual review of financial data in the project, the project is also required to submit regular financial reports and documentation to Unbound Headquarters. This section will detail the information and frequency required.

10.1 Unbound Monthly Financial Reports

Financial records in Abila should be updated and current at all times. All transactions for each subproject and the coordinating unit should be entered into Abila within 30 days after the end of each month. Upon completion of the entries, each project should reconcile all bank and cash accounts, and submit reconciliations for all accounts, and the bank statements to Unbound Headquarters.

In addition, the project should submit a Cash Reserves Report, which details the cash and bank account balances of the project and projected utilization, as well as any other report that the Unbound Headquarters Regional Accountant considers necessary for a better analysis of the financial situation of the Project.

The bank statements, bank and cash reconciliations, Normal Trial Balance (NTB), Statement of Activities(SOA), and Cash Reserves Report should be forwarded to Unbound Headquarters within 45 days of the end of the month. Unbound

Headquarters will review reports and information in Abila upon receipt of the reports from the project.

Projects that use another accounting system in addition to Abila should provide transaction-level financial details and a Trial Balance reconciled to the Abila Trial Balance in addition to the bank statements, bank and cash reconciliations, and cash reserves report.

10.2 Unbound Annual Financial Reports

All transactions, including liquidations of advances and any correcting entries, must be entered and the Balance Sheet accounts verified for accuracy within 45 days of the close of the fiscal year. Projects should be prepared to hard-close their Abila database within 90 days of the close of the fiscal year, including completion of the statutory audit and any adjusting entries recommended by the auditor. The closing of the Abila books should be coordinated with the Regional Accountant. The hard closing prevents any entries in the closed period.

For the projects that, according to their closing local policies they are required to close after 90 days, they could close their Abila database within 120 days of the close of the fiscal year.

At the completion of posting and closing, the project should submit an Inventory Listing (if applicable), a copy of the external/statutory audit, and any other financial reports required to be submitted to external agencies (e.g., tax returns, regulatory filings, etc.)

10.2.1 Inventory Listing

If the project has purchased bulk items and held inventory during the fiscal year, an inventory report should be filed at the completion of the fiscal year. The report should reflect a description of the individual items, their location, date of purchase, dates, and quantities of distribution, closing inventory, per-unit price, and additional projected distribution.

The valuation of the inventory listing should match the inventory account on the balance sheet.

10.2.2 Asset Listing

Projects that operate in an additional or alternate accounting system to Abila should submit an inventory listing as per their accounting system or whatever means they use to track inventory.

The Asset Listing, when required, should reflect an ID for each asset, a clear description, acquisition date, acquisition cost, estimated life, months depreciated, accumulated depreciation, net book value, and location. If an asset is disposed, the date and reason/method of disposal should also be noted.

10.3 Additional Reports and Documentation

In addition to the monthly and annual reports, projects should submit documentation to Unbound Headquarters of certain financial activities.

Bank signature cards should be submitted to the regional team each time signatories are changed.

Unbound Headquarters may request additional financial reports as needed.

10.4 Calendar of Financial Reports and Other Documentation

A summary of required financial reports and their frequency is noted below.

Report or Document	Frequency
Project and subproject bank statements	Monthly
Project and subproject bank reconciliations	Monthly
Project and subproject Cash Reconciliations	Monthly
Cash reserves report.	Monthly
Transaction-level financial detail (non-Abila users)	Monthly
Normal Trial Balance (NTB)	Monthly

Statement of Activities(SOA)	Monthly
Funds Distributions to sponsored. Annual budget	Two months before implementation
Comparative Quarterly Budget versus the actual	Quarterly
Annual payroll register	Annually
Proposals for salary adjustments	Annually
Asset listing	Annually
Inventory listing	Annually (if applies)
Government-required audit	Annually (if applies)
Copy of official bank signature card	When bank account signatories change
Government Tax Reports	Annually

10.5 Financial Reporting Compliance

Failure to submit required financial reports on a timely and transparent basis may result in corrective measures, including suspension of growth and/or replacement records, or temporary holds on the disbursement of sponsorship funds. Perpetual failure to provide proper reporting may result in the suspension or termination of the affiliation between Unbound Headquarters and the Project.

11 Audits of Financial Records

External auditors (local to the project community) and Unbound Headquarters auditors conduct independent financial reviews of the projects' financial statements, processes and internal controls on a periodic basis. Their goals are to verify transparency and accuracy, and to ensure compliance with laws and policies.

11.1 Project Initiated/External Audits

Audits performed by a local auditor based on local government or board requirements are referred to as Project Initiated or External Audits. The project is encouraged to engage an external auditor on an annual basis to review the financial records in accordance with local regulations.

Project Initiated audits should review the financial records to determine whether the auditor can attest that the books reflect a materially accurate statement of financial position.

The external auditors should be rotated in accordance with the local regulations of the project. In the absence of regulation, the project must change the external auditors every 3-5 years.

The report from a project-initiated audit is presented to the project or local board by the auditor. The project should share the report with Unbound Headquarters, along with any action taken to implement recommendations by the auditor.

11.2 Unbound Headquarters Initiated Audits

Unbound Headquarters-initiated audits refer to audits initiated and implemented by Unbound Headquarters. The auditor may be an Unbound Headquarters financial auditor, or an external auditor engaged by Unbound Headquarters. The audit report is written by or presented to Unbound Headquarters and the Project management team (general coordinator and general accountant).

Unbound Headquarters-initiated audits are rooted in Unbound Core Values and serve as a Reasonable Interpretation of the Ends Statements of the Unbound Board of Directors tasking Unbound Headquarters with monitoring and assuring integrity and accountability in Unbound projects. The audits will follow standard auditing practices, seeking to document maximization of benefits to beneficiaries and compliance with Unbound Financial Policies which includes this manual and any policies related to financial matters in the other Unbound Sponsorship Manuals.

11.2.1 **Audit Scope**

The audit scope covers the verification of the project's and subprojects' financial systems, internal controls, and adherence to Unbound financial policies. The objective of the audit is to verify that Unbound Headquarters can rely on the material accuracy of the project's financial reports.

The Unbound Headquarters-initiated audit will include an assessment of the project's compliance with governmental/local reporting requirements but does not necessarily consist of an audit of such information.

The Unbound Headquarters-initiated financial audit does not extend to program design or effectiveness. Those matters are covered by the Organizational Audit performed by the International Programs Department.

11.2.2 **Audit Engagement**

The Unbound Headquarters-initiated audit may be conducted by the Unbound Headquarters financial auditor or by an outside auditor engaged by Unbound Headquarters.

The project will receive advance notice of the audit by means of an engagement letter, detailing the scope, dates, methodology and logistical details of the audit. The engagement will also request that the project provide supporting documentation of the financial processes and procedures, which must be sent in a timely manner and through the virtual channels established for this purpose before, during and after the field visit to the project office.

The project is expected to make reasonable accommodations on the announced audit dates and should make the project accountant or other designated staff member available to assist the audit team. Full cooperation with requests made within the scope of the audit is expected. The audit team should be given freedom to carry out the necessary work during the audit.

11.2.3 **Independence of the Auditors**

Unbound Headquarters Financial Auditors are members of the Finance Department and carry out their duties independently of the Regional Team and the International Programs Department. The auditors are provided with full access to the coordinator and project accountants during the audit engagement, which extends from receipt of the engagement letter until the project responds to the audit report with an implementation plan.

During the audit engagement, an auditor engaged by Unbound Headquarters may advise the project coordinator and accountant on technical accounting issues. Recommendations for any material changes should be made in the form of audit recommendations.

The auditor is not authorized to advise on any program changes. If the auditor recommends any changes to the program, the project should seek clarification from their regional team before any changes are made.

11.2.4 **Responsibility of Unbound Headquarters Financial Auditor**

The Unbound Headquarters financial auditor has the responsibility to communicate with the project to initiate the audit engagement, request information and documentation prior to the audit, conduct the audit with a remote and on-site component, visit the Project, and submit the audit report. The auditor has open access to communicate with the project during the audit, but should not provide guidance, support, or recommendations outside the scope of the audit.

The auditor should make reasonable requests for the project regarding documentation, time provided to produce documentation, and travel to subprojects and/or family visits.

11.2.5 **Audit Expenses and Logistics**

Unbound Headquarters assumes the full cost of a Unbound Headquarters-initiated audit, including travel, lodging, meals, interpreters, and any expense incurred to engage an outside firm. The audit team will typically cover any expenses incurred directly during the visit. The project may be asked to assist the auditor(s) in making arrangements for hotels, travel to/from airport or bus station and travel to/from the various subproject locations, such as subproject office, schools and sponsored families' homes. If the project incurs any expenses in relation to the audit, they should be detailed and reported to the audit team, and they will be fully reimbursed.

11.2.6 **Communication of Final Audit Report and Recommendations**

The Unbound Headquarters auditor will provide the project coordinator, accountant, and the regional team the official audit report no later than 30 days following the audit exit meeting. The report will be accompanied by a list of recommendations, supported by the report.

11.2.7 **Audit Implementation**

The project should submit confirmation of the receipt of the audit report and provide an initial implementation plan based on the audit recommendations within 30 days of receipt of the audit report. The project coordinator, project accountant, regional accountant, and project director will collaborate to establish the implementation plan, timeline, and individual(s) responsible for of each point. If the project will elect not to implement a recommendation, the implementation plan should detail the justification for the decision.

The final implementation plan should be completed within six months from the date of receipt of the audit report and will represent a collaboration of the project and the regional team. The regional accountant will monitor and log implementation of each point. The auditor will contact the regional accountant during this time frame to learn about the progress of the implementation plan.

During the implementation period, the regional accountant will conduct monthly monitoring to track the progress.

Upon completion, the regional accountant will notify the audit and leadership personnel in Unbound Headquarters.

12 <u>Samples of Reports</u>

This section will provide more detailed examples and information related to some of the concepts contained in the policies above.

12.1 Cash Reserves Report

All cash held by the project and subprojects must be tracked and accounted for by fund and intended purpose. These funds should be reported in a Cash Reserve Report. The totals by fund must be tied to the balances of all cash accounts in Abila as of the end of each month.

On the following page is a sample of a completed Cash Reserve Report for reference.

Projects may access the Excel file with this report on PORTAL.

The cash reserves reports should indicate the amounts held for the following purposes:
- Sponsored member benefits waiting to be transferred to child accounts.
- Sponsored member benefits held by the project.
- Final benefits of retired members not yet distributed.
- Service-scholarship money not used.
- Depreciation reserve and/or cash held for capital purchases.
- Retirement benefits held for project employees.
- Other – List Specific purposes or indicate as Undesignated.

The project should use the corresponding line for notes and additional information at the bottom of the page.

12.2 Purchase Authorization Form

The purchase authorization form is required for all assets, program or administrative expenditures purchases greater than USD 1,000. The purchase of any individual item exceeding USD 1,000, combined purchases of similar items that exceed USD 1,000 within 60 days or purchases from the same vendor of over USD 1,000 within 60 days must be documented on this form and approved by the Unbound Headquarters office.

It is important to provide a detailed explanation and documentation for the expenditure. Please give a detailed explanation of what the asset or administrative expenditure is and how this expenditure will benefit the sponsored children. Explain how the vendor was selected and how many bids were solicited.

The purchase authorization form must be signed by all members of the purchasing committee, indicating their selection of the vendor and affirmation that no consideration was received from the vendor to secure the bid. It must also be signed by the project coordinator.

Attach all bids, quotes, and other documentation to support the purchase when submitting to Unbound Headquarters.

This form is not used for the purchase of land, vehicles, or for the authorization of construction projects, or the authorization for savings plans or installment schedules for these items. Please contact your regional team to discuss appropriate documentation and approval for such purchases.

A sample of a completed Purchase Authorization Form is below.

Unbound
Purchase Authorization Form

Project London   **Date:**   1-Dec-16

In accordance with the Unbound Financial Policies Manual, the project hereby requests authorization for the purchase of the following asset or administrative purchase (excluding vehicles, land, or construction):

Description	Quantity	Per Unit Cost	Total Cost
Dell Inspiron Laptop, Intel Core i5, DDR4 k..n, 11B, 3.2ghZ	2	1,400.00	2,800.00
			-
			-
			-
			-
Total Cost of this request, in Local Currency			2,800.00

Estimated Exchange Rate   1.326

Total Cost in US Dollars   2,111.61

Purpose of this expenditure:

1 laptop for Correspondence Coordinator to update current computer which is 5 years old; 1 laptop for accounting department to replace 5 year old laptop.

The purchase committee recommends purchase from the vendor noted below:

Vendor Name	Erin's Electronics	Justification for Vendor Selection:
Address	407 Main Street	
	Suite 107	Vendor offers extra year warranty with on site
	London, UK	service. Price is basic pricing for this computer.
Phone	301-15-27-321	Selected for warranty and service.
Email	sales@erinselectronics.com.uk	
Website	http://erinselectronics.com.uk	

By signing below, the members of the purchase committee affirm their recommendation of the above items and vendor selection, and that no payment, gift, rebate, or other consideration was received from the vendor in exchange for acceptance of the bid. (Add additional signatures as needed)

Signatures:

Names:

Designation:	Parent of sponsored member CH307584	Social Worker, Subproject HGW	SMG Accountant

Approval of Project Coordinator:

Required to attach to request bids from a minimum of 3 vendors, quoting their price, terms, and services included for items of similar or identical specification.

13 Guideline for G/L and Dept/Prog Coding

Dept/ Program	Concept	Indirect	Direct		Description
		Admin	Sponsor Relations	Program	
100	Administration	X			This code will be used for all administrative expenses. Accounts from 60000 are generally administrative in nature. It includes the salaries and benefits of the project coordinator, accounting staff and other administrative staff. The salaries of the subproject coordinators will generally be divided between administration and program codes. Also, it will be used for the rent of the subproject offices that are used to administer the subproject, but not for rent with purpose that has to do with any program.
150	Indirect Program	X		X	This code will be used for all/some of the administrative expenses described for the department/program 100, when the local accounting/tax authority states, that this kind of expense should be or can be treated as program expenses. For instance, in some countries, the Coordinator's salary could be treated as a program expense instead of an administrative expense. In this case, you must use code 150. This code could be considered direct or indirect for Kansas reporting purposes.
125	Outcomes Measurement	X			All expenses related to the training and implementation of activities to measure the results of the program (understood as changes or impact on the lives of sponsored persons and their families). These expenses may include training (in the area of measurement of results), implementation costs such as copies of a survey or transportation to carry out focus groups. This code will not be used for expenses related to the evaluation of project personnel or the monitoring of activities or implementation processes.
150	Regional Office Activities	X			This code will be used to record administrative expenses related to activities for the Regional office.
198	Non-Deductibles - Administration Expenses	X			Code for any expense that lacks the appropriate documentation to be considered deductible by the Tax Collection Institutions (Administration)
210	Correspondence		X		This code will be used to record all transactions related to translations of children's letters and the relationship with the sponsor through correspondence and the salaries and benefits of the correspondence team, translators.
230	Communications		X		This code will be used to record all transactions related to the Project reporter: salaries and benefits, plus all expenses necessary for the performance of their duties.
235	Communication Centers		X		This code will be used to record all transactions related to the Communications Center. Only Applies for Projects that have the same.
240	Awareness Trips		X		This code will be used for all transactions related to the expenses of the ATs
250	Individual Sponsor Visits		X		This code will be used for all transactions related to the expenses of the individual visits of the sponsors (ISV).
260	Project Visits	X			Record expenses incurred by Kansas staff.
270	Unit Regional accountant	X			This code will be used to record all transactions related to the expenses of the Kansas Regional Accountant Unit, based on the Antioquia project.
510	Child Program			X	This code will be used to record all transactions that are incurred to implement the sponsorship program for children. It includes the salaries and benefits of social workers and other program personnel, if the employee performs various functions it can be distributed among children, youth and elderly programs. Likewise, if the employee performs administration and program duties, the salary is distributed with codes 100 and the one appropriate to the program. In the same way, if a subproject office is used as a community center or activities related to the program are carried out, the income is distributed proportionally between administration and program.
530	Aging Program			X	This code will be used to record all transactions incurred to implement the program for the elderly. All expenses associated with meetings for the elderly, training and other services. Includes, salaries and benefits of social workers and program staff, if the employee performs various functions can be distributed among the elderly. Likewise, if the employee performs administration and program duties, the salary is distributed with codes 100 and appropriate to the program. Similarly, if a subproject office is used as a community center or activities are performed, the income is distributed proportionally between administration and program.
540	Vocations Program			X	This code will be used to record all transactions incurred to implement the sponsorship program for candidates for priesthood or consecrated religious life, priesthood or consecrated religious life, seminarians.
550	Service Scholarship Program			X	This code will be used to record all transactions that are incurred to implement the service-scholarship program.
560	Family Outreach			X	This code will be used to record all transactions that are incurred to implement the scope for sponsored families. Also, it will be used to replace goods from productive projects destroyed in a natural disaster.
570	Parent development/Capacity			X	This code will be used to record all transactions that are incurred to train parents. All expenses related to conducting seminars, training and other training activities.
580	Livelihood			X	This code will be used to record all transactions that are incurred to implement the self-sustaining program. It includes, the cost related to obtaining the initial capital for the activities of productive projects that are carried out in small groups as a "group of mothers", most likely this code is not used.
590	Community Development/Outreach			X	This code will be used to record all transactions that are incurred to create and encourage community development.
598	Non-Deductible Program Expenses	X		X	Code for any expenses that lack appropriate documentation to be considered deductible by Latin government standards. (Program)
610	Assisted Living			X	This code will be used to record all transactions related to the program that is incurred in favor of those who receive assistance in institutions such as nursing homes and orphanages.

Dept/ Program	Concept	Indirect	Direct		Description
		Admin	Sponsor Relations	Program	
700	Agents of Change	X		X	This code will be used to record the monies for local improvements and enhancements. This project is funded exclusively by donations from Unbound supporters. The platform gives people -who are closest to a problem- a platform to identify needs in their communities and design and implement small-scale, local solutions. Groups of parents of Unbound sponsored members, often the mothers, identify the community problem they'd like to solve, craft a proposal for access to a $500 grant that is vetted by committees of community members, receive the grant funds and then work together to put their plan into action. Up to 10% of what is received can be used for administrative expenses.
701	Small Business Accelerator	X		X	This code will be used to record the Small Business Accelerator funds. This program provides an infusion of capital to the family small businesses, allowing them to increase production, gain access to markets and increase their revenue designed to Strengthen families' economic self-sufficiency. These funds will be distributed to the participants' families. Families execute the resources for their entrepreneurship venture. The Project can establish control guidelines. Admin funds will be sent separately.
702	Critical Needs			X	This code will be used to record the Critical Needs & Most in Need Disbursement- Projects may use them according to the same processes and parameters they use for Fund 53
703	Henry Perez Scholarship	X			To record the "Henry Perez" Staff Scholarship funds, which are intended to support the education and professional development of staff members on Unbound projects around the world. Annually, Unbound-Kansas will transfer $500 USD to each project in the month of February for this purpose. Restricted fund that projects invest in the professional development of their staff. Each project will be responsible for determining a local selection process and selecting recipients.
704	Mothers Group - MAMA	X		X	This code will be used to record all transactions incurred to implement the MAMA program, for mothers' groups. All expenses associated with MAMA meetings, training, and other services. Includes salaries and benefits of social workers and program staff, if the employee performs various functions it can be distributed among other Programs. Likewise, if the employee performs administration and program duties, the salary is distributed with codes 100 and the one appropriate to the program. In the same way, if a subproject office is used as a community center or activities are carried out, the income is distributed proportionally between the administration and the program.
705	Elders Pilot Program	X		X	This code will be used to record the disbursement of the Elders Pilot Program.

Dept/ Program	Concept	Indirect	Direct		Description
		Admin	Sponsor Relations	Program	
800	Program - IFRS Adapt			X	This code will be used in Colombia to accommodate the local authority requirement to use A/P codes and the KS requirement to reflect as income
810	Transfers	X		X	This code is used to make transfers between subprojects when using account 80110 and 80160
990	General Program	X		X	This code will be used to record any transaction not covered by any of the previous codes. Use this code sparingly - only when there is no other better option. It can be Program and Admin, or just Program. Discuss it with KS before using it
991	Programa General 1	X		X	This code will be used to record any transaction not covered by any of the previous codes. Use this code sparingly - only when there is no other better option. It can be Program and Admin, or just Program. Discuss it with KS before using it
992	Programa General 2	X		X	This code will be used to record any transaction not covered by any of the previous codes. Use this code sparingly - only when there is no other better option. It can be Program and Admin, or just Program. Discuss it with KS before using it
993	Programa General 3	X		X	This code will be used to record any transaction not covered by any of the previous codes. Use this code sparingly - only when there is no other better option. It can be Program and Admin, or just Program. Discuss it with KS before using it
994	Programa General 4	X		X	This code will be used to record any transaction not covered by any of the previous codes. Use this code sparingly - only when there is no other better option. It can be Program and Admin, or just Program. Discuss it with KS before using it
995	Programa General 5	X		X	This code will be used to record any transaction not covered by any of the previous codes. Use this code sparingly - only when there is no other better option. It can be Program and Admin, or just Program. Discuss it with KS before using it

<div align="center">

Unbound
Guideline for GL Dep/Prog Code Grouping
As of 1 January 2024

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		Indirect	Direct		
				Program	
		Admin	Sponsor Relations	Direct Program	Indirect Program
REVENUE					
Unbound Income					
40100	Income-Unbound Int'l	100, 125, 150, 260	210, 230, 235, 240, 250	510, 520, 530, 540, 550	
40200	Income-Unbound Interest			510, 530	
40300	Income-Unbound Local	100			
40400	Income-Rebates			510, 520, 530, 540, 550	
40500	Income-Non Unbound				
40501	Fix Assets Donantions	100			
40700	Unused Benefits				
40800	Income-Unbound - IFRS Adapt/Individual banc Accouts			800	
40900	Income-In Kind			510, 520, 530, 540, 550	
EXPENSES					
Education					
50110	Tuition			510, 520	
50115	Early Childhood Development				
50120	Books				
50130	Education Supplies				
50140	Uniforms				
50150	Tutoring Expenses				
50160	Technical Training			510, 520, 530	
50165	Seminars				
50170	Transportation				
50180	Boarding Fees				
50190	Career Counseling				
50195	Literacy Training				
50200	Academic Recognition				
50510	Supervised Direct Assistance - Education			510, 520, 530, 550	
50515	Youth Support Meetings			510, 520, 530	
50516	Child Support Meetings				
50800	Expenses-Unbound - IFRS Adapt/Individual banc Accouts			800	
51575	Payments to Partner Organizations			510, 520, 530	
Health					
51010	Medicine				
51015	Vaccinations				
51020	Doctor Visits				
51025	Hospitalization				
51030	Special Needs/Surgeries				
51035	Health - NHIF				
51040	Medical Supplies				
51050	Medicine – Dental			510, 520, 530	
51060	Doctor Visits – Dental				
51070	Special Needs/Surgeries - Dental				
51080	Medical Supplies – Dental				
51090	Personal Hygiene				
51091	Health Education				
51095	Drug Testing				
51099	Other Health Expense				
Nutrition					
51510	Groceries/Food to Families				
51520	Groceries for Prepared Meals				
51530	Fees for Institutional Meals			510, 520, 530	
51540	Vitamins				
51560	Nutrition Education				
51570	Community Gardens				

Clothing					
52010	Clothing/Shoes			510, 520, 530, 560	
Recreation					
52510	Birthday Celebrations				
52515	Birthday Gifts				
52520	Christmas Celebrations				
52521	Festival or Year End Celebrations				
52522	New year Celebrations				
52523	National/International Day Events			510, 520, 530	
52525	Christmas Gifts				
52526	Festival or Year End Gifts				
52527	Special Events Gifts				
52530	Talent Enrichment				
52540	Sports				
52550	Field Trips				
52570	Camping				
52580	Other Celebrations/Recreation				
Special Gifts					
52590	Other Gifts from Project				
52595	Special Gifts from Sponsors			510, 520, 530	
52598	Natural Disaster Emergency Relief				
52599	Special Gift from One Project to Another				
Value Formation					
53010	Classes and Retreats				
53015	Resource Persons			510, 520, 530	
53020	Values Formation				
53025	Other Values Formation & Support				
Family Outreach					
53510	Land as Benefit				
53515	Home Construction				
53520	Home Repair				
53521	Housing Rental				
53525	Small Household Items			510, 530, 560	
53530	Bedding				
53535	Household Furniture				
53540	Supervised Direct Assistance - help to Families				
53600	Benefits Transportation				
53610	Travel Home Visits			510, 530, 550	
53611	Travel- Parent Support meetings			560	
53612	Hired Transportation Services for Children & Families			510, 520, 530, 560	
53620	Community Assistance			590	
53630	Crisis Intervention			510, 520, 530, 560	
53640	Counseling				
53645	Repatriation			510, 520, 530	
53680	Advocacy				510, 520, 530
53685	Parent Support Meetings			560	
53688	Burial Assistance			510, 530, 560	
53690	Other Help to Families			560	
Livelihood					
54210	Skills Development			570, 580	
54211	Capacity Building				
54230	Start-Up Capital				
54250	Agricultural Assistance			580	
54290	Other Livelihood Expenses				
54295	Matching Grant				

Non-Sponsored					
56010	Project Outreach to Non-Sponsored Persons			590	
Direct Disbursement to Beneficiaries					
53692	Sivale			510, 520, 530	
57010	Direct Disbursement to Beneficiaries			510, 520, 530	
Salaries/Fees					
60010	Salary - Coordinating Office				
	Project Coordinator	100,150			
	Accounting at Coordinating Office	100,150			
	Correspondence		210		
	Communication Liaison		235		
	Drivers/Security/Administrators	100,150			
	Human Resources	100,150			
	SMG Coordinators				510
60010	Salary - Subproject				
	Subproject coordinator				510
	Social Workers				510
	Subproject Accountant	100,150			
	Admin/Security	100,150			
60020	Stipend	100,150			
60400	Payment for Services	100,150			
Employee Benefits (matches Salary)					
60510	Retirement Benefits				
60515	Additional Month Pay Benefit				
60520	Service Pay				
60620	Medical Benefit				
60630	Life Insurance Benefit				
60640	Uniform Benefit				
60650	Staff Meals/Food Benefit				
60660	Staff Recreation Benefit				
60670	Transportation Benefit				
60680	Other Benefit	100,150	210, 235		510
60681	Benevolence Services Benefit				
60690	Payroll Taxes				
60691	Provident Fund Contribution				
60692	Gratuity Pay				
60693	Leave Encashment				
60694	Pension Contribution Expense				
60695	Life Insurance Premium				
60696	Personal Accident Premium				
60697	NSSF Contribution				
Office Expenses					
61510	Office Rent				
	Coordinating Office	100,150			
	Subproject Office (Zones)				510
61511	Community Center Rent				590
61512	Education Center Rent				510, 520
61513	Health Center Rent				510, 530, 590
61514	Skills Training Center Rent				580
61515	Rent – Other	100,150			
61516	Rent - Workshops & Seminars	100,150			
61520	Insurance	100,150			
61530	Utilities				
	coordinating Office	100,150			
	Subproject Office				510, 530
61540	Phone				
	coordinating Office	100,150			
	Subproject Office				510, 530
61550	E-mail / Internet				
	coordinating Office	100,150			
	Subproject Office				510, 530
61552	Office Cleaning Expenses				
	coordinating Office	100,150			
	Subproject Office				510, 530

Code	Description	Col1	Col2	Col3	Col4
61555	Office Equipment Maintenance				
	coordinating Office	100,150			
	Subproject Office				510, 530
61560	Building/Grounds Maintenance & Repairs				
	coordinating Office	100,150			
	Subproject Office				510, 530
61565	Maintenance & Repairs				
	coordinating Office	100,150			
	Subproject Office				510, 530
61569	Office Supplies				
	Coordinating Office	100,150			
	Subproject Office				510, 530
61570	Office Supplies				
	coordinating Office	100,150			
	Subproject Office				510, 530
61571	Child Files & Documentation				510, 530
61572	Stationery for Child & Family Programs				510, 530
61573	Stationery for Child Letters		210		
61580	Postage	100,150	210		
61585	Printing	100,150			
61586	Printing for Child & Family Programs				510, 530
61590	Other Office/Admin Expenses	100,150			
61591	Regional Team Meetings -Expenses	100,150			
61592	National Team Meetings -Expenses	100,150			
61595	Security Services	100,150			
	Transportation				
62010	Hired Transportation Services				
62011	Fuels & Lubricants		210		510, 520, 530
62015	Travel - Local/Domestic				
62020	Travel - International	100,150			
62050	Vehicle Insurance				
62060	Vehicle Operation				
62070	Vehicle Maintenance				
62100	Minor equipment				
	coordinating Office	100,150			
	Subproject Office				510, 530
	Awareness Trips/ISV/Special Visit				
63010	Special Visit Travel				
63015	Special Visit Lodging				
63020	Special Visit Meals				
63025	Special Visit Activities	260	240, 250		
63030	Special Visit Gifts				
63035	Special Visit Materials & Supplies				
63040	Special Visit Rentals				
63090	Special Visit Other				
	Photos				
64010	Photos	100,150	210, 240, 250		
	Other Expenses				
64020	Translation Fees		210		
64021	Translation Fees- Communication Center		235		
64030	Sponsorship Recruitment Expenses				510, 530
65010	Staff Training/Development				
65011	Staff Educational Support		210, 235		510
65020	Conferences				
65030	Project Audit				
65210	Depreciation Expense - Building				
65220	Depreciation Expense - Building Improvements				
65230	Depreciation Expense - Vehicles				
65240	Depreciation Expense - Office Furniture, Fixtures, and Equipme				
65250	Depreciation Expense - Computers				
65260	Depreciation Expense - Other Assets	100			
66000	Licenses & Permits				
66010	Professional Fees				
66015	Legal Affairs Expenses				

66020	Bank Fees				
66030	Wire Transfer Fees				
66090	Taxes other than Payroll Taxes				
83010	Gain or Loss on Disposal of Assets				
83020	Gain or Loss		210, 240		510, 530
84000	Intrafund Transfers/Clearing/Adjustment to Current Year				
84100	Adjustment to the Results of Previous Years				598
TRANSFERS					
Expense					
80110	Transfer from betweeen bank accounts /Project/Subproject				
80111	Donation to Partner Organizations	100,150, 125, 150, 260	210, 230, 235, 240, 250	510, 520, 530, 540, 550	
80150	Transfer to another Project				
80160	Transfer from betweeen bank accounts /Project/Subproject				
80200	Contributions to Other Organizations (Latino Projects)			510, 530	