Financial Policies and Procedures Manual

Filled fictional example: Harbor Street Review

Version 1.0 · 2026-10-14

AdminPack · https://adminpack.pub/templates/financial-manual/

Harbor Street Review and every person, firm and figure in this example are invented.

This is a starting template, not legal, tax or accounting advice. Tax forms and deadlines named here are United States federal requirements; state rules and other countries differ. Review your adopted manual with your accountant.

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About this example

Harbor Street Review is a fictional nonprofit magazine and newsletter with six staff, about forty freelance contributors a year and an annual budget of about $900,000. It is used here to show what a completed manual looks like. Every name and figure is invented.

Its setup worksheet is filled in below, and every choice in the manual that follows is taken from it. Compare it with the blank template to see how a bracketed choice becomes a written policy.

Setup worksheet

Harbor Street Review's answers to the setup worksheet. Each role shows the title used in the manual and, in parentheses, who holds it today.

People and roles

Choice	Harbor Street Review	Notes
Organization name	Harbor Street Review	Legal name
Top executive	Publisher and Executive Director (Dana Ruiz)	Executive Director, Publisher or Owner
Finance lead	Finance Manager (Marcus Bell)	CFO, treasurer, finance manager, or the owner in a solo business
Bookkeeper	Contract Bookkeeper (Tidewater Ledger Services)	Staff bookkeeper or outside accounting firm
Editorial budget holder	Editor (Priya Natarajan)	Editor who manages the freelance and contributor budget
Oversight body	Finance Committee (Three board members)	Board finance committee, full board, owners, or an outside advisor
Oversight contact	Board Treasurer (Lena Ortiz)	Treasurer, committee chair, co-owner or advisor who acts for that body

Who approves, pays, reconciles and reviews

Choice	Harbor Street Review	Notes
Payment approver	Finance Manager (Marcus Bell)	Approves routine payments up to the approval threshold
Second approver	Publisher and Executive Director (Dana Ruiz)	Adds a second approval above the threshold
Payment releaser	Finance Manager (Marcus Bell)	Releases approved payments in the bank or bill-pay system
Reconciler	Contract Bookkeeper (Tidewater Ledger Services)	Reconciles bank, card and processor accounts each month
Reconciliation reviewer	Publisher and Executive Director (Dana Ruiz)	Reviews statements and completed reconciliations; signs off
Payroll owner	Finance Manager (Marcus Bell)	Prepares and submits each payroll
Payroll reviewer	Publisher and Executive Director (Dana Ruiz)	Reviews and approves each payroll before submission
Delegate for the top executive	Board Treasurer (Lena Ortiz)	Acts when the top executive is absent
Delegate for the finance lead	Publisher and Executive Director (Dana Ruiz)	Acts when the finance lead is absent

Thresholds and deadlines

Choice	Harbor Street Review	Notes
Approval threshold	$2,500	Payments above this need two approvals
Oversight threshold	$15,000	Unbudgeted spending or contracts above this go to the oversight body
Capitalization threshold	$2,500	Equipment costing more than this per item is recorded as an asset
Deposit deadline	within 3 business days of receipt	e.g. within 3 business days of receipt
Card receipt deadline	within 5 business days of the charge	e.g. within 5 business days of the charge
Reimbursement deadline	within 30 days of the expense	e.g. within 30 days of the expense
Payroll schedule	biweekly, paid every other Friday	e.g. biweekly, semimonthly or monthly, and the payday
Timesheet deadline	noon on the Monday before each payday	When hourly timesheets are due before each payday
Month-end close deadline	the 15th of the following month	e.g. the 15th of the following month
Fiscal year end	December 31	e.g. December 31 or June 30
Records retention period	seven years	Ask your accountant; seven years is a common default
Policy review cycle	every two years	e.g. every two years

Systems (examples only, not requirements)

Choice	Harbor Street Review	Notes
Accounting system	QuickBooks Online	e.g. QuickBooks Online, Xero
Bill-pay system	the bank's bill-pay service	e.g. the bank's bill pay, Bill.com, Ramp, Brex
Card program	the bank's business card program	e.g. a bank business card, Ramp, Brex
Payroll provider	Gusto	e.g. Gusto, ADP, or the accountant's payroll service

Time allocations (Nonprofit)

Choice	Harbor Street Review	Notes
Top executive time allocation	40% fundraising, 20% management and general, 40% program	Split across program, management and general, and fundraising
Finance lead time allocation	70% management and general, 15% program, 15% fundraising	Split across program, management and general, and fundraising

Separation checks

Before adopting, confirm each of these holds. If one cannot, use the small-team variation in section 16.

- The second approver is a different person from the payment approver.
- The person who releases payments does not reconcile the accounts.
- The reconciler does not review their own reconciliation.
- The person who releases payments does not review the reconciliations.
- The payroll owner does not approve their own payroll.
- The delegate for the top executive is someone else.
- The delegate for the finance lead is someone else.
- The backup payroll preparer (the bookkeeper) is not the payroll reviewer.

Part 1. Core manual (all publishers)

1. About this manual

This manual describes how Harbor Street Review records, approves, pays, reconciles and reports its money. It exists so that financial statements are accurate, assets are protected, obligations to funders, customers, staff and tax authorities are met, and anyone covering for a colleague can follow the same steps.

Everyone with a role in spending, receiving or recording money is expected to follow it. Where the manual and a funder's or lender's written terms differ, the stricter rule applies.

The Finance Manager maintains this manual and proposes changes. It is reviewed every two years and whenever roles, systems or thresholds change. Changes take effect when approved by the Publisher and Executive Director and the Finance Committee.

> **Using the template:** Sections marked Nonprofit apply only to tax-exempt organizations. A for-profit publisher can delete them; the core sections stand on their own. Tool names are examples, not requirements.

2. Roles and responsibilities

Finance Committee

- Approves the annual budget and any later change to it.
- Approves unbudgeted spending and contracts above $15,000.
- Approves opening or closing bank, card and loan accounts, and changes to who can sign or release payments.
- Receives financial statements at least quarterly and asks questions about them.
- Sets the compensation of the Publisher and Executive Director and reviews their performance each year.
- Hires the outside accountant or auditor where one is required.

> **For-profit publishers:** The oversight body is usually the owners or a board of directors. In a single-owner company, name an outside advisor or accountant who will review the quarterly statements, so someone other than the owner looks at the books.

Publisher and Executive Director

- Reviews and approves financial reports before they go to the Finance Committee.
- Gives the second approval on payments and contracts above $2,500.
- Approves new hires, pay changes and bonuses in writing.
- Approves grant applications and other agreements that commit the organization's money or staff time.

- Oversees the internal controls in this manual and acts on exceptions.

Finance Manager

- Sets up and maintains the financial systems and the chart of accounts.
- Prepares the annual budget with the Publisher and Executive Director and monitors spending against it.
- Approves routine payments, reimbursements and card statements within the limits in Approval authority.
- Manages cash flow and moves money between the organization's own accounts.
- Keeps the organization current on tax filings, insurance, payroll reports and other financial compliance.
- Reviews payroll registers and personnel records for accuracy.
- Coordinates the month-end and year-end close and the annual tax return.
- Recommends replacement or retirement of equipment.

Contract Bookkeeper

- Codes and records transactions each month in QuickBooks Online.
- Reconciles bank, card and payment-processor accounts by the 15th of the following month.
- Lists transactions that need more information and sends the list to the Finance Manager.
- Keeps a clear audit trail so every transaction can be traced to its support.
- Suggests improvements to the chart of accounts and classes.

Editor

- Manages the freelance and contributor budget line.
- Approves contributor payments against that budget and records what each payment is for.
- Tags each payment with the grant, sponsor or project that funds it, if any.

Everyone who spends or receives money

- Keeps receipts and submits them on time.
- Never approves a payment to themselves or a relative.
- Reports anything that looks wrong to the Finance Manager or, if it involves the Finance Manager, to the Publisher and Executive Director.

Responsibility matrix

Duty	Done by	Approved or reviewed by
Enter and code bills	Contract Bookkeeper	Finance Manager
Approve payments up to $2,500	Finance Manager	Publisher and Executive Director (monthly statement review)
Approve payments above $2,500	Finance Manager	Publisher and Executive Director

Duty	Done by	Approved or reviewed by
Release approved payments	Finance Manager	Publisher and Executive Director (monthly statement review)
Approve contributor payments	Editor	Finance Manager
Reconcile bank, card and processor accounts	Contract Bookkeeper	Publisher and Executive Director
Run payroll (biweekly, paid every other Friday)	Finance Manager	Publisher and Executive Director
Close the month by the 15th of the following month	Finance Manager	Publisher and Executive Director
Prepare the annual budget	Finance Manager and Publisher and Executive Director	Finance Committee

3. Approval authority

Approval means a written, traceable yes: an approval in the bank's bill-pay service, an email, or a signed form. A verbal approval is confirmed in writing before payment.

Commitment	Who approves
Budgeted payment or contract up to $2,500	Finance Manager
Budgeted payment or contract above $2,500	Finance Manager and Publisher and Executive Director
Unbudgeted spending or any contract above $15,000	Finance Committee, after the two approvals above
Payroll, including new hires and pay changes	Publisher and Executive Director, with written approval of pay changes by the Publisher and Executive Director
Reimbursements and card statements	Finance Manager; the Publisher and Executive Director's own expenses are approved by the Finance Manager
New bank, card or loan accounts; changes to signers	Publisher and Executive Director and Finance Committee

- Nobody approves a payment to themselves. The Finance Manager's own expenses are approved by the Publisher and Executive Director, and the Publisher and Executive Director's by the Finance Manager.
- Splitting a purchase to stay under a threshold is not allowed.
- Grant-funded spending also follows the grant's terms.

4. Bookkeeping and chart of accounts

Harbor Street Review keeps its books in QuickBooks Online, maintained by the Contract Bookkeeper under the direction of the Finance Manager.

- The chart of accounts groups income and expenses by type (natural classification). Classes or locations track programs, publications or projects.

- The Finance Manager owns the chart of accounts. New accounts or classes are added only by the Finance Manager or with their approval.
- Bank, card, payroll and payment-processor feeds are connected where available, but every transaction is still reviewed and coded by a person.
- Supporting documents (invoices, receipts, contracts, grant letters) are attached to the transaction or stored in a shared folder named so they can be found from the transaction.
- The Finance Manager scans the general ledger each month for unusual entries, such as round amounts, new vendors, duplicate payments or entries to balance-sheet accounts without support.

> **Nonprofit:** Also track expenses by function (program, management and general, fundraising) and income by donor restriction. See the nonprofit sections below.

5. Recording revenue

Revenue may come from:

- Subscriptions, memberships and single-copy sales.
- Advertising and sponsorships.
- Donations and grants (nonprofits and fiscally sponsored projects).
- Events, licensing and syndication.

Most income arrives through card processors and platforms that pay out to the operating account.

- The Contract Bookkeeper records income at its gross amount and records processor fees and refunds as separate entries, so the books match both the platform reports and the bank deposits.
- Income from customer, donor or subscription systems is matched to deposits each month. When two systems can import the same payout, only one is allowed to post it.
- Annual subscriptions and sponsorships paid in advance are recorded as deferred revenue and recognized over the period they cover, if the organization uses accrual accounting.
- Invoices for advertising and sponsorships are issued from QuickBooks Online or a connected system so receivables are tracked.

Checks and cash

- Mail is opened by someone other than the person who records deposits when staffing allows. Checks are logged (date, payer, amount) on the day they arrive.
- Checks and cash are deposited within 3 business days of receipt and kept locked until then. The deposit is matched to the log.
- Donated gift cards are recorded, kept locked and used only for organizational purposes.
- Harbor Street Review does not keep petty cash. If that changes, the fund is kept small, counted monthly by someone other than its custodian, and reconciled to receipts.

> **Nonprofit:** Send a written acknowledgment for any single contribution of $250 or more, stating the organization's name, the amount (or a description of a noncash gift), and whether anything was given in return. Grant award letters go to the Contract Bookkeeper the week they arrive.

6. Purchasing and accounts payable

Payments are generally for goods and services, recurring subscriptions, taxes and fees, training, memberships, meetings, marketing and reimbursements.

1. Invoices are sent to a single finance inbox or uploaded to the bank's bill-pay service as they arrive.
2. The Contract Bookkeeper enters the bill, codes it to an account and class, and attaches the invoice.
3. The Finance Manager confirms that the goods or services were received, the amount is right and the spending is in the budget, then approves. Above $2,500, the Publisher and Executive Director also approves.
4. The Finance Manager releases payment by the due date, considering cash flow.
5. Recurring automatic payments are set up only after the same approval and are reviewed each month on the card or bank reconciliation.

Payment methods

- Electronic payment (ACH) is the default. Paper checks are limited to vendors who cannot accept electronic payment.
- New vendors provide a tax form (W-9 for US payees) before their first payment.
- A request to add or change a vendor's bank details is verified by phone, using a number already on file, before any payment is sent. Email alone is never enough.
- Payments in a foreign currency are sent through the bank or a transfer service. The Contract Bookkeeper records the amount actually paid, including fees and the exchange rate.

Freelancers and contributors

- The Editor manages the freelance budget and approves contributor payments against it.
- Each contributor accepts a written contributor agreement before work begins.
- No contributor is paid before the right tax form is on file (W-9 for US payees, W-8BEN for individuals outside the US).
- Each payment records what it was for (for example, a link to the published piece) and, if applicable, the grant or project that funds it.
- Contractors working on a longer-term basis have a signed contract stating scope, rate and term before they are paid.
- The Finance Manager reviews whether a long-term contractor should be an employee, because misclassification creates tax liability.

7. Cards and spending

Organization cards are issued through the bank's business card program to staff who need them, with spending limits set by the Finance Manager.

- Cards are for organizational expenses only. Personal purchases, purchases that are not authorized or budgeted, and anything barred by law or a funder's terms are not allowed.
- Cardholders upload an itemized receipt and a short business purpose within 5 business days of the charge.
- The Finance Manager reviews card activity monthly. The Publisher and Executive Director's card activity is reviewed by the Finance Manager, and the Finance Manager's by the Publisher and Executive Director.
- A charge that is not approved is repaid by the cardholder. A payroll deduction is used only with the employee's written authorization and where state law allows.
- Cards are cancelled the day a cardholder leaves.

> **Without a corporate card program:** A business card from your existing bank works the same way: set per-card limits, require receipts, and reconcile the statement monthly. A spend management platform is optional.

8. Reimbursements

- Staff submit reimbursement requests within 30 days of the expense, with itemized receipts and the business purpose.
- The Finance Manager approves requests. Nobody approves their own.
- Approved reimbursements are paid through Gusto or the bank's bill-pay service.
- Mileage is reimbursed at a documented rate with the date, route and purpose of each trip.
- Amounts not substantiated within the deadline are not reimbursed, or are treated as taxable pay, as your accountant advises.

9. Payroll

Payroll runs biweekly, paid every other Friday through Gusto. The Finance Manager prepares each payroll and the Publisher and Executive Director reviews and approves it before submission.

1. Hourly staff submit timesheets by noon on the Monday before each payday. Supervisors approve them.
2. The Finance Manager enters hours, paid time off, new hires, departures and approved pay changes.
3. The Publisher and Executive Director compares the payroll preview with the prior period and approved changes, asks about any difference, and approves it.
4. Direct deposit is the default. A request to change an employee's bank account is verified with the employee directly, not by email alone.

5. After each payroll, the Contract Bookkeeper checks that payroll expense, taxes and benefits in the books match the payroll reports.

- If the Finance Manager is absent, the Contract Bookkeeper prepares payroll and the Publisher and Executive Director approves it.
- New hires complete Form W-4 and Form I-9 within the federal deadlines.
- Quarterly and annual federal and state payroll returns are filed on time, whether by the provider or by staff. The Finance Manager confirms each was filed.
- Form W-2 is furnished to employees by January 31 (the next business day if January 31 falls on a weekend). Form 1099-NEC is furnished to and filed for contractors who require one by the same date.
- Personnel files (offer letter, pay rate, tax and benefit elections, I-9, emergency contact, signed handbook acknowledgment) are kept secure and accessible only to the Publisher and Executive Director, the Finance Manager and those they authorize.

10. Bank accounts and reconciliations

- Accounts are opened or closed only with the approvals in Approval authority. Each account has at least two people with administrator access so it never depends on one login.
- The Contract Bookkeeper reconciles every bank, card, loan, payroll and payment-processor account (for example, Stripe or PayPal) by the 15th of the following month.
- The Publisher and Executive Director reviews the bank and card statements directly, looking for unusual payees, amounts or transfers, and signs off on each completed reconciliation with the date.
- Checks outstanding for more than six months are investigated and voided when appropriate; any unclaimed-property rules are followed.
- Transfers between the organization's own accounts are made by the Finance Manager and recorded the same day.

11. Month-end close

The books for each month are closed by the 15th of the following month.

1. All transactions are coded and the questions list is cleared.
2. All reconciliations are complete and signed off by the Publisher and Executive Director.
3. Bills received but not paid, and income earned but not received, are recorded if the organization uses accrual accounting.
4. Recurring entries are posted, such as prepaid expenses, deferred revenue and depreciation.
5. Payroll expense in the books is checked against the payroll reports.
6. The Finance Manager reviews the balance sheet (cash matches the reconciliations; receivables and payables match open items) and the income statement against the budget.
7. The Finance Manager sends the Publisher and Executive Director the monthly statements with a short note on variances and cash on hand.

8. The period is locked in QuickBooks Online after review.

The Finance Committee receives the statements at least quarterly.

12. Year-end close and tax filings

The fiscal year ends December 31. In addition to the month-end steps:

- Equipment is counted and the fixed asset log is reconciled to the books.
- Accrued vacation, prepaid expenses and deferred revenue are reviewed with the accountant.
- W-2 and 1099-NEC forms are issued on time (see Payroll).
- The annual tax return is prepared by the Finance Manager or an outside accountant and approved by the Publisher and Executive Director before filing.
- State and local filings, business licenses and registrations are renewed.
- An audit or review is arranged if a funder, lender or state requires one.
- The Finance Manager and Publisher and Executive Director prepare next year's budget for the Finance Committee.

13. Budget and cash flow

- The Finance Manager prepares a draft budget with the Publisher and Executive Director before the fiscal year begins. The Finance Committee approves it.
- Actual results are compared with the budget each month. Large variances are explained in the monthly note.
- The Finance Manager keeps a rolling cash forecast of at least three months and flags a shortfall to the Publisher and Executive Director as soon as it appears.
- Reserve or savings transfers follow the cash forecast and are reported to the Finance Committee.

14. Records, property and equipment

Records retention

- Financial records, tax returns, payroll records and supporting documents are kept for seven years, or longer where a funder, lender or law requires.
- Records are kept digitally in a shared location that does not depend on one person's account, with access limited to those who need it.
- Records are never destroyed while an audit, investigation or legal claim is pending.

Property and equipment

Equipment, furniture, software and leasehold improvements costing more than $2,500 per item are recorded as assets and depreciated on a straight-line basis. Items costing less are expensed when bought.

Asset type	Suggested useful life
Computer hardware	3 years
Purchased software	3 years
Office equipment	5 years
Office furniture	5 years
Leasehold improvements	Remaining term of the lease

- The Contract Bookkeeper keeps a fixed asset log with purchase date, description, cost or fair value, funding source (if restricted), serial or tag number and useful life. The Finance Manager reviews it.
- Equipment is inventoried each year and the log is reconciled to the books. Lost, damaged or retired items are written off.
- Departing staff return equipment before their last day; laptops are wiped and reassigned.

15. Internal controls, absences and delegation

The goal is that no single person can both spend money and hide the record of it. The setup worksheet lists who holds each duty, and these duties stay separate:

- The second approver is a different person from the payment approver.
- The person who releases payments does not reconcile the accounts.
- The reconciler does not review their own reconciliation.
- The person who releases payments does not review the reconciliations.
- The payroll owner does not approve their own payroll.
- The delegate for the top executive is someone else.
- The delegate for the finance lead is someone else.
- The backup payroll preparer (the bookkeeper) is not the payroll reviewer.

Absences and delegation

- When the Publisher and Executive Director is absent, the Board Treasurer acts in their place for approvals in this manual.
- When the Finance Manager is absent, the Publisher and Executive Director acts in their place.
- If both are absent, the Board Treasurer approves only what cannot wait.
- Delegation is made in writing (an email is enough) with start and end dates. Payments approved by a delegate are listed for the returning person to review.
- Every person with access to bank, payroll and accounting systems takes time away each year, and their duties are covered by someone else during that time.

Other controls

- Each person uses their own login with multi-factor authentication. Passwords are kept in a shared password manager, never in documents.

- Access is removed on a person's last day, the same day their cards are cancelled.
- Anyone with a financial interest in a vendor or decision discloses it and steps out of the approval.
- A suspected error or misuse is reported to the Publisher and Executive Director, or to the Board Treasurer if it involves the Publisher and Executive Director.

16. Small-team and solo variations

The separations above assume at least three people. With fewer, keep the same checks and move the review outside:

- Two people: one approves and releases payments; the other reconciles. Each reviews the other's card and expenses. An outside accountant reviews the reconciliations quarterly.
- Solo owner or one-person newsroom: an outside bookkeeper or accountant reconciles monthly, and the owner reviews the bank statement every month before the reconciliation arrives. Turn on bank alerts for every outgoing payment above a set amount.
- In any size of organization, a second person should have emergency access to the bank, payroll and accounting systems and know where this manual is.

Part 2. Nonprofit sections

> **Nonprofit:** These sections apply to tax-exempt organizations. A for-profit publisher can delete this part.

N1. Board and finance committee (Nonprofit)

The Finance Committee acts for the board on financial matters between meetings and reports to the full board.

- Recommends the annual budget to the board.
- Reviews quarterly financial statements, including restricted fund balances.
- Selects and meets with the independent auditor where an audit is required, receives the audit findings directly and recommends acceptance of the audit to the board.
- Follows up on any management letter recommendations.
- Reviews the Form 990 before it is filed.
- Approves the compensation of the Publisher and Executive Director, using comparable data where available.

N2. Restricted funds and grant tracking (Nonprofit)

- Each grant or restricted gift is recorded when it is awarded or promised in writing, with its restriction (purpose, time period or both).
- The Contract Bookkeeper keeps a grant log of award amount, dates, restrictions, reporting deadlines and spending to date. Each grant has a class or tag in QuickBooks Online.
- Staff and contributor costs paid from a grant are tagged to it when approved.
- Multi-year awards are recorded as restricted and released as their conditions are met or time passes. The Finance Manager reviews releases monthly.
- Grant reports are reconciled to the books before they are sent.
- Grant applications and the budgets in them are approved by the Publisher and Executive Director. Applications for editorial projects are also approved by the Editor.

N3. Functional expense allocation (Nonprofit)

Expenses are reported by function: program, management and general, and fundraising.

- Salaries are allocated by each person's time, using time records or a documented estimate reviewed each year.
- The Publisher and Executive Director's time is allocated: 40% fundraising, 20% management and general, 40% program.
- The Finance Manager's time is allocated: 70% management and general, 15% program, 15% fundraising.

- Shared costs that benefit more than one function (rent, software, insurance) are allocated in proportion to salaries in each function.
- Time spent on a restricted grant is charged to that grant first; the remainder follows the allocations above.
- The Finance Manager reviews the allocation method each year with the accountant.

N4. Form 990 and state filings (Nonprofit)

- The Finance Manager or the outside accountant prepares the annual return (Form 990, 990-EZ or 990-N, depending on size). It is due on the 15th day of the fifth month after the fiscal year ends, unless extended.
- The return goes to the Publisher and Executive Director for review and approval, and to the Finance Committee before filing.
- State charitable registration renewals and attorney general filings are tracked on the compliance calendar and filed on time.
- The organization makes its three most recent Form 990 returns available on request, as required for tax-exempt organizations.