

The Foundation for Mother and Child Health

Financial Policies & Procedures

A guide to accounting best practice at FMCH

FMCH FINANCIAL POLICIES & PROCEDURES

INTRODUCTION

Why have financial policies and procedures?

The purpose of these policies and procedures is to ensure that FMCH:

- Records all financial transactions correctly and in a timely fashion
- Monitors and controls expenditure and supplies
- Budgets satisfactorily in order to complement fundraising initiatives
- Satisfies FCRA, INR and statutory reporting requirements
- Ensures timely and accurate financial and management to relevant stakeholders
- Is transparent by correctly reporting to donors and grant-makers

Sources of Income

All other incomes such as membership fees, interest, royalties, dividend, income from income generation activities and income from fund raising activities shall be treated as income as per Accounting Standard 9 (AS-9).

.FMCH receives funds from the following sources:

1. Specific/restricted project fund from corporates entities and organisations.
2. Membership fees
3. Income from short term professional services and consultancy assignments undertaken by FMCH (outreach)
4. General or specific donations received from individuals, philanthropic organisations and foundations

The above can be foreign or domestic sources of funding and recognized in the period that they are received. They can be received by cash, cheque, bank transfer or via online portals such as Give India, Just Giving and United Way (Mumbai Marathon)

FMCH Cost Centres

The following are identified as our core programmes:

1. Nutrition
2. Medical
3. Child Development
4. Community Programmes
5. Outreach Programmes

Any programme coming to FMCH must allocate some funds to support this core programme.

Overhead Costs

The following are identified as our main overhead/administration costs

6. Site Administration Office
7. Overheads (rent, utilities, administrative officer, printing, stationery etc)
8. Centre Expansion
9. Fundraising Costs

FMCH Site Locations

Current FMCH locations (accounting departments) are:

1. Ramdev Nagar
2. Ganesh Nagar
3. Sukhawani
4. Outreach (Dharavi, Tillak Nagar)

Organization & Bank Account Details

Organisation' official name: Foundation for Mother and Child Health
Official Address: 702, Oceanic, Carter Road, Bandra 400050
Official Tel: 022 2305 4055
Bank: The Hongkong and Shanghai Banking Corporation Limited
Bank Address: 52/60, Mahatma Gandhi Road, Mumbai - 400001
Account Number:
Swift code:
MICR Code:
IFSC:
FCRA registration number:
Pan number:

POLICIES & PROCEDURES

Accounting Conventions

The accounts are prepared under historical cost convention. The day-to-day transactions are recorded at the monetary value of the goods or services or fair market value of the donated services.

Book Keeping and Recording

FMCH's Accountant is Lakhan Jain (Treasurer), details as follows:

CA Lakhan L. Jain BCom FCA
M/s Lakhan Jain & Associates

Chartered Accountants

Mob: :

The recording system of FMCH's financial transactions allows the Managing Committee to monitor bank balances, status of funds receipts and expenditures, and a comparative statement of budget vs. actual expenditure on a regular basis.

FMCH maintains records of fixed assets, petty cash disbursements, supplies, inventory (in line with FCRA regulations below).

Lakhan Jain & Associates uses TALLY accounting software for FMCH work.

Foreign Contribution Regulation Act (FCRA), 2010

FMCH has permission from the Ministry of Home affairs to receive foreign contributions/donations.

Our FCRA registration number is: 083781280

Our FCRA status is "Prior Permission" under section 6(1A)

Under the FCRA rules, FMCH operates separate bank accounts for foreign receipts.

The interest accrued on the foreign contribution deposited in any bank or any other income derived from the foreign contribution or interest thereon is also deemed to be foreign contribution.

FCRA - Books of Accounts

Accounting for foreign contributions received in kind should be done as follows:

As per rule 17(3), accounts have to be maintained for foreign contributions received in kind. Form FC-7 provides the format and the manner in which the receipt as well as the utilisation of contributions received in kind. The entries made in FC-7 should correspond with entries made in Form FC-6.

Maintenance of form FC-7 - An organisation may keep the Form FC-7 in a book form. Form FC-7 requires the following information to be recorded in case of the receipt:

- (i) Date
- (ii) Name and Address of the Donor
- (iii) Mode of receipt
- (iv) Purpose of receipt
- (v) Quantity received
- (vi) Approximate value
- (vii) Date of intimation send to Central Government

Recording of specified information - With regard to utilisation and disposal of contributions received in kind, Form FC-7 requires the following information to be recorded:

- (i) Date
- (ii) Name and Address of the Donee
- (iii) Purpose
- (iv) Quantity utilised by the organisation
- (v) Quantity sold
- (vi) Quantity otherwise transferred
- (vii) Quantity, if sold, the amount for which sold
- (viii) Reference to entry in FCRA account
- (ix) Quantity in stock

Approximate value of Contribution received in kind: - Form FC-7 is like a stock register, where the receipt movement and closing balance of all goods received in kinds are maintained in quantitative term. But, column-6, of the Form requires approximate value of the goods to be specified.

The approximate or the estimated value of contribution received in kind is required to be reported in Form FC-6, column 6&8. Therefore, for reporting purposes of contributions received in kind, column 6 & 8 of the Form FC-6 are relevant and Form FC-7 is just a format for preparing the books of accounts with regard to contribution received in kind.

FCRA - Maintenance of Accounts

Every account shall be maintained on an yearly basis, commencing on the 1st day of April each year and every such yearly account, duly certified by our chartered accountant in Form FC-6 along with a Balance Sheet, Income and Expenditure statement and statement of Receipts and Payments, shall be furnished, in duplicate, to the Secretary to the Government of India, in the Ministry of Home Affairs, New Delhi, within Nine months of the closure of the financial year.

1. A separate set of accounts and records shall be maintained, exclusively for foreign contribution received and utilized.
2. The annual return in Form FC-6 shall reflect the foreign contribution received in the exclusive bank account and include the details in respect of the funds transferred to other bank accounts for utilization.
3. If the foreign contribution relates only to articles, the intimation shall be submitted in Form FC-7.
4. If the foreign contribution relates to foreign securities, the intimation shall be submitted in Form FC-8.
5. Every report submitted under sub-rules (2) to (4) shall be duly certified by a chartered accountant.
6. Every such return in Form FC-6 shall also be accompanied by a copy of a statement of account from the bank where the exclusive foreign contribution account is maintained by the person, duly certified by an officer of such bank.
7. The accounting statements referred to above in the preceding sub-rule shall be preserved by the person for a period of six years.

8. A 'NIL' report shall be furnished even if no foreign contribution is received during a financial year.

In line with the above regulations FMCH maintains separate books of account for foreign contribution received and utilized. The books of accounts required are ledger and cash book maintained on the principles of double entry. Further, Balance Sheet, Income and expenditure Statement and Receipts & Payments Account should be submitted.

Bank Accounts

The following three types of accounts are maintained by FMCH:

Current Account (FCRA & INR)

All income accrued to FMCH will be deposited in the Central Account. The Chairperson, Secretary General and Treasurer are authorized to operate the bank account. Two signatures of either of these officials is required for fund disbursement.

Deposit Accounts (FCRA & INR)

FMCH will keep fixed deposit savings account for its trust fund.

Corpus Account

Petty Cash Fund

A petty cash fund of *****Rs is kept at the main office to cover payments not exceeding ***** Rs. The Executive Director and Office Administrator will handle this account which is reconciled once every two weeks.

The Chairperson and/or Treasurer will ensure proper handling of petty cash fund through surprise checks from time to time.

Signatories to Cheque Books

The Chairperson of FMCH, its Treasurer and another Managing Committee Member are signatory to FMCH's cheques (three total). Money can be released by the signatures of two of the above signatories. However, any cheque of more than Rs 10,000 requires the signature of the Chairperson.

Cash Management & Disbursements

All payments are made either by bank transfer, cheque or cash.

Payment for Goods and Services

Payment can be made from the office imprest by cash for items less than 5,000 with the authorization of the Executive Director

Payment against purchases exceeding 5,000 Rs shall be made by cheque which is issued by the Accountant. Two working days' notice is required for cheque issuance.

Payment of Staff Salaries

Staff salaries are paid within seven days following the completion of the month. Depending on the individual's banking arrangements, they will be paid by either cheque or bank transfer.

Staff payroll

Staff payroll (salary sheet) is prepared by the Executive Director. The staff payroll contains information on the employees' basic salary for the month, allowances if any, deductions and net salary payable. The staff payroll is checked by the Treasurer and approved for payment by the Chairperson.

Tax Deduction at Source

FMCH will deduct tax at source where applicable as per Government rules.

Staff Expenses

For travel purposes, FMCH employees shall be given cash advances or will be reimbursed for expenses covered on official trips. Request for cash advances is prepared by the personnel concerned and approved by the Executive Director. Expenses of the Executive Director and out of pocket travel expenses of Managing Committee members are approved by the Chairperson. All cash advances for travel are to be reconciled within a week following the completion of the trip.

Management & Statutory Reporting

The following sets of management reports are prepared by FMCH:

1. Monthly Management Accounts are prepared for the main committee meeting on the last Tuesday of the month summarizing the previous month's accounts:
 - a. Income
 - b. Expenditure (with expenditure pie chart)
 - c. Budget v Actual (Month and Year to Date)
 - d. Cash Position
 - e. Key Beneficiary Data
2. Quarterly financial reports are prepared giving a more detailed breakdown of income and expenditure and seek a review of the next quarter's spending and fundraising requirements. These can be made available to key stakeholders, donors as well as committee members.
3. Annual Balance Sheet and Statement of Income and Expenditures are prepared for each fiscal year for the general public as well as key stakeholders and donors. FMCH accounting reference date is 31st March.

Auditing

Books of Accounts of FMCH shall be audited annually by an independent auditor appointed by the Managing Committee. Our current auditor is:

Address

Annual Budgeting Process

A detailed annual budgeting process is undertaken annually. Using beneficiary data, budgets are created for the main headings per the Budget summary for 2012-2013 below:

Financial Projections	Projected 2011/12	Budgeted 2012/13	Description
Medical Costs			Doctors, staff, vaccines, blood tests, deworming
Nutrition Costs			Nutritionists, staff, micronutrients, SNP, IFP, education
Child Development Costs			Staff, materials
Other Program Costs			Utilities, printing, etc for beneficiary activities
Administrative/Overhead			Printing, Office, Technology, etc for general admin
Total Cost			
Less In-Kind Contributions			Donated doctor's hours, anemia screen materials, SNP ingredients
Total Funding Requirement			
# Sites			
# Beneficiaries (Average)			
Funding Per Beneficiary			

Comparisons to Budget are made in the management accounts on a monthly and quarterly basis and reported to the committee. The budget will be adjusted every three months to allow for 'unforeseens' (such as new outreach and community programmes). A fundraising/income budget is currently being introduced.

In Kind Contributions

In Kind Contributions (which currently encompass medicines, supplements and 'Nutribars') require recognition (if material) for both financial statements and tax reporting. We therefore recognize them at fair value using the cost approach. This is done by looking at the cost of the items from comparable suppliers or by using the receipts for supplies/materials if provided by the donor.

Any non-cash contribution has both a revenue and expense side with certain items such as medical supplies being retained in inventory before being utilized. The expense should be recorded at cost as an expense line item.

Donated Services (i.e. Doctor's Hours)

Donated services (currently Doctor's time) that are not included within revenue or expenses should be recorded when the contributions meet one of two conditions:

1. The services create or enhance non-financial assets, or
2. The services require specialized skills, are provided by someone who actually possesses those skills, and would have to be performed by a salaried individual if not donated.

The use of the phrase "nonfinancial assets" excludes volunteer time devoted to fundraising activities. (Since recording volunteer time for fundraising would result in a corresponding fundraising expense). Nonfinancial assets would include construction on real property, development of internally-developed software, and other activities that could be capitalized.

Specialized services are defined as those that "require expertise that is not possessed by most members of the general public or that require an individual to be licensed to practice the profession or craft." In the case of FMCH, medical doctors, IT specialists and accountants.

FMCH will disclose the value of services provided by "unspecialized" volunteers within the footnotes to the financial statements.

Donated Facilities

FMCH does not pay rent at two sites – Ramdev Nagar (*****) and Ganesh Nagar (****). These sites are lent to the Foundation by the Community.

Volunteer Hours/Timesheets

FMCH utilizes a number of "non-specialized" volunteers and interns at any given time to carry out and support its programmes. Such volunteers may assist with health and nutrition at ground level, marketing, business administration etc. Hours are recorded on timesheets. A note of total hours worked is made in the monthly management accounts and in a footnote to the annual accounts.

Recording Donations

All donations are acknowledged with a receipt (regardless of type of donation, cash, cheque, bank transfer, international or domestic). The receipts can be supplied by staff receiving the donation or by the accountant.

Where a donor requires an ATG certificate (for tax exemption purposes), they must supply a PAN number and contact details. Our Accountant will then supply the necessary tax certificate.

The accountant will record donations in the cash book as appropriate.

Record Retention Policy

All accounting records shall be kept for a period of five years.

Tracking & Valuing Inventory

Stock (which at this time encompasses medical supplies and nutritional supplements) is tracked using a manual stock book.

The relevant accounting standard AS-2 is used with regard to valuation of inventories.

Outreach Programmes *(this section under consideration)*

For Outreach Programmes, the Executive Director will price a model for use by third parties. This will include man hours for attending (based on hourly wage rate of FMCH staff), cost of supplies and additional margin for 'expertise' or 'consultancy' services. The payment by the third party for these services will be assigned as an income line under "Outreach Programme".

Earmarked Funds

A project grant shall be treated as income only if there are no restrictions placed in the project contract by the donor. Therefore restricted grants shall not be treated as income in the books of FMCH. The restricted grants shall be recognised as a legal obligation as and when realised on the principles of fund accounting. Receipts and applications of restricted grants shall be made in the respective fund account. In other word all restricted grants received shall be accounted for on realisation/receipt basis only. All voluntary contributions and donations received shall be treated as income as per AS-12 on the basis of duly approved grant letters, specifying timeframe/guidelines of grant accrual.

Vendor Tender Process

At the time of writing, there is no requirement for a Vendor Tendering Process as all office supplies are purchases made on an ad-hoc basis from nearby suppliers and the costs are relatively small. Medical supplies are donated by our Doctor. At such times as this situation changes (for example if tradespeople are required to re-decorate a new premises), then the process will be reviewed.

Cashflow

The cash balance is reported monthly to the committee via the management accounts. At the time of writing, a cash flow procedure is being considered in conjunction with our fundraising and financial planning strategy.

Fixed Assets

Fixed Asset Register

Records for fixed assets are maintained in a register as follows:

Fixed Assets Register

Page No.:

Asset Category:

Serial No.	Accounting Year	Description of Item	Quantity	Bill Date	Voucher No. / Date	Amount (Rs.)	Purchased / Sold	Location / Identification	Funded by		

Fixed Asset Accounting Treatment

The relevant accounting standard for accounting for fixed assets is AS-10. FMCH also ensures that the assets procured out of restricted funds need are distinguished. The normal accounting conventions pertaining to capital and revenue items shall be adhered to as far as it relates to our other transactions. The variable treatment of capital and revenue items shall necessitate the distinction between project assets and capital assets.

The assets shown as application of fund under various projects shall be treated as project assets. If the source of fund against such assets is treated as income, then such assets should be shown at nominal value in the books of accounts.

FMCH Database

We maintain an access database of beneficiary information (which is currently under construction). We record, patient details such as name, address, age, weight & height, and malnutrition status. With this, we are able analyse relationships between various pieces of data as well as for tracking and organizing our patients. This in time will allow us to calculate a meaningful cost per beneficiary and help with the annual budgeting process.