

**Cottonwood, Incorporated  
Policies and Procedures**

**SECTION:** Administrative

**POLICY NO:** 04-001

**SUBJECT:** Fiscal Management

**PAGE(S):** 1 of 2

**EFFECTIVE DATE:** July 1987

**Policy:**

Cottonwood Inc. is committed to promoting fiscal stability through strategic long range planning, environmental analysis of political, funding, economic and demographic trends, informed budgeting and effective risk management. Cottonwood Inc. is committed to providing quality services which are cost effective and consistent with its Mission and Values. Cottonwood, Inc. is also committed to conducting its fiscal affairs in accordance with responsible business practices and legal requirements and Cottonwood's Code of Ethics.

**Procedures:**

1. Cottonwood, Inc. will collect, record and maintain the information which is necessary to adequately account for its income, expenses, assets, capital and liabilities. Recording systems should reflect generally accepted accounting principles and fulfill the laws and regulations of licensing and governmental units under whose jurisdiction the agency may fall.
2. Cottonwood, Inc. will utilize an accrual system of accounting and the Uniform Chart of Accounts.
3. Cottonwood, Inc. shall develop an annual budget related to its Charts of Accounts which will be used as the basis for funding proposals for regular and major sources of funding. Specific budget items for programs or cost centers, income or expense, are intended as guidelines for the development and administration of a budget; however, Board action is required only if budget variations or revisions are intended to raise or lower the total agency budget.
4. At the time of the budgeting process consumer fee schedules will be reviewed. Historically, fees were set to defray the costs of services in alignment with what individuals could afford to pay. Increases have occurred when cost of living expenses have increased. Should Cottonwood increase its fees, 30 days notice will be given to individuals served and their financial representatives.
5. Periodic reports, at least quarterly, are reviewed by the Board of Trustees and such reports shall include as a minimum a Balance Sheet, Profit and Loss Statement and budget comparisons. An Independent Certified Public Accounting firm shall conduct an

annual consolidated audit of the agency's accounts and finances, the results of which will be available to funding sources and the general public.

6. The Board of Trustees and Management shall make effort to maintain Discretionary Reserve equivalent to 3 months operating expenses. This reserve shall be in addition to any other restricted funds and is not intended as a holding fund for normal cash flow.

7. The Discretionary Reserve may be accumulated through net income gains, depreciation allowances, windfall income or other non-budgeted income. The Reserve may be utilized for a variety of purposes at the discretion of the Board. Such purposes would include: the easing of a financial crisis, as in times of heavy cut back from regular funding sources; emergency non-budgeted or costly equipment or repair; to take advantage of opportunities which help secure continued or future delivery of services; expansion of programs or facilities.

8. The Discretionary Reserve funds may be utilized at the discretion of the Board and only after Board approval.

9. Cottonwood shall strive to protect its assets and to compensate, if necessary, its Board, staff, clientele, and the public by maintaining an adequate coverage on buildings, equipment and inventory, general and professional liability insurance, cybersecurity insurance, worker's compensation and bonding of appropriate personnel or Board members as presented by the Board and to at least include the Treasurer and President.

10. Specific written procedures related to billing detail and some CDDO funding mechanisms are determined and maintained by the Billing Systems Work Group which is chaired by the CFO. The work group meets regularly to renew and update procedures. Each member maintains the written procedures, minutes, and table of contents to ensure practices are current, functional, and available.