HOPA MOUNTAIN

Manual of Business Practices and Accounting Policies

Revised July 11, 2013

Hopa Mountain, Inc.

Manual of Business Practices and Accounting Policies

Table of Contents

100 INTRODUCTION

101 Definitions

Hereafter, "The Manual of Business Practices and Accounting Policies" will be referred to as "the manual" and "Hopa Mountain, Inc." will be referred to as "the organization".

102 Purpose of The Manual

A. The Manual of Business Practices & Accounting Policies of Hopa Mountain, Inc. is the official document of the organization for the conduct of business and the accounting and administration for grants and subgrants with the U.S. government and other funding sources.

B. The purpose of the manual is to provide detailed information on the accounting and administration of grants. The manual should guide employees of the organization in the application of various Federal and state laws and regulations to grants awarded by the U.S. government and other funding sources.

C. This manual constitutes all current fiscal policies and standards that have been developed by the organization, unless otherwise noted, through the time of issuance.

103 Amending the manual

This manual contains the essential fiscal policies of the organization, as determined by the U.S. government and other funding sources of the organization, applicable to grants and subgrants as of the date of promulgation. From time to time, as additional matters require promulgation or changes to this manual are appropriate, officials of the organization may amend this manual with approval by the Board of Directors.

200 INTERNAL CONTROL POLICIES

201 General Business Conduct and Disclosure

A. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of the organization depend to a very large extent on the following considerations.

Each employee must apply his/her own sense of personal ethics, which should extend beyond compliance with applicable laws in business situations, to govern behavior where no existing regulation provides a guideline. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this code in specific situations, ask the following questions:

1. Is my action legal?

2. Is my action ethical?

3. Does my action comply with policy?

4. Am I sure that my action doesn't appear inappropriate?

5. Am I sure that I would not be embarrassed or compromised if my action became known within the organization or publicly?

6. Am I sure that my action meets my personal code of ethics and behavior?

Each employee should be able to answer "yes" to all these questions before taking action.

Each supervisor is responsible for the ethical business behavior of his/her subordinates. Supervisors must weigh carefully all courses of action suggested in ethical as well as economic terms and base their decisions on the guidelines provided by this code as well as their personal sense of right and wrong.

Implementation of the provisions of this code is one of the standards by which the performance of all levels of employees will be measured.

B. In recommending or proposing a particular business transaction or course of action for approval, those involved must disclose to their superiors or to the Board of Directors of the organization, if the recommendation is to the board, all the pertinent information they know about such transactions and the persons involved. The disclosure should include significant information that they may have reason to believe has been omitted by others.

C. Specifically, the organization does not tolerate the willful violation or circumvention of any laws of the United States, its states, counties, cities, or a foreign country by an employee during the course of that person's employment; nor does the organization tolerate the disregard or circumvention of organizational policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents and intermediaries, what is directly forbidden.

Failure to comply with the standards contained in this code will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the organization or the government for any losses or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this code will be afforded an opportunity to explain his or her actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against employees who authorize or participate directly in actions which are a violation of this code

2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this code

3. Against any supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this code.

202 Compliance with Laws

A. Disclosure of Organization Information

The organization's participant, financial, and administrative information is a valuable, intangible property asset. Protection of this information is vital to our continued growth and our ability to provide quality services to our participants. Additionally, unauthorized licensure of client information may be a violation of the Privacy Act or applicable state law.

Under our country's laws, this type of information is treated as intellectual property, usually in the form of information, knowledge, or know-how, the possession of which gives the owner some advantage over other organizations that do not possess it. To be protected under law, such information must not be generally or publicly known or must be patented or copyrighted if publicly disclosed. The organization's intellectual property assets are not always of a technical nature. Typical of such information are:

1. Information about specific participants

2. Organization business, research and new education plans

3. Operating plans

4. Salary, wage and benefits data

5. Employee, funding source and vendor lists.

This list, while obviously not complete, suggests the wide scope and variety of organization information that must be safeguarded. Special safeguards should be observed for organization participant, financial, or administrative information. If we leave the employ of the organization, our legal obligation is to protect the organization's intellectual property until it becomes clear what it has become publicly available or the organization no longer considers it necessary to restrict its use. We should remember also that correspondence, printed matter, documents or records of any kind, specific process knowledge, procedures, and special organization ways of doing things are all the property of and must remain at the organization.

B. Political Contributions

No funds or assets of the organization may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. The direct or indirect use of any funds or other assets of the organization for political contributions in any form, whether in cash or other property, services, or the use of facilities, is strictly prohibited. The organization also cannot be involved with any committee or other organization that raises funds for political purposes. This rule applies both inside and outside the United States, except in those cases permitted by law and expressly authorized by the Board of Directors.

Following are examples of prohibited activities

1. Contributions by an employee that are reimbursed through expense accounts or in other ways

2. Purchase by the organization of tickets for political fundraising events

3. Contributions in kind, such as lending employees to political parties or using organization assets in political campaigns

4. Indirect contributions by the organization through suppliers, funding sources or agents.

C. Government Officials

In the United States, the organization is legally prohibited from offering, promising, or bestowing money, gifts, loans, rewards, services, use of facilities, lavish or extensive entertainment, or other favors to a government official or employee with a view toward influencing or inducing such official or employee to use his/her influence to effect an action or decision. Employees must refrain from such acts.

This includes any employee of a Federal, state or local government agency.

No employee of the organization will offer, give, or promise to offer or give, directly or indirectly, any money, gratuities or other thing of value to any U.S. government employee with current or possible responsibility on an award of the organization. A gratuity includes any gift, favor, entertainment or other item having monetary value of over $10 per event or presentation. This includes services, conference fees, vendor promotional training, transportation, lodging and meals, as well as discounts not available to the general public and loans extended to anyone other than a bank or financial institution.

The provisions of this code apply fully to anyone who acts for the organization. For example, employees may not allow an agent to act on behalf of the organization. If an employee knows or has reason to believe that the agent would disregard the code or any law in performing his duties, bring it to the attention of the Executive Director.

D. Commercial Bribery

Employees or agents of the organization are not allowed to make a payment either directly or indirectly or as a kickback to influence someone else, nor is it allowed to accept anything of value from someone who wants to do business with the organization. With the exception of government officials acting on a procurement, inexpensive advertising and promotional items are not considered to have "value," and an occasional business meal may be accepted or given if it has a value of under $25.

In some business relationships outside the government, an occasional gift is appropriate.

The organization strongly discourages any gifts to any individual, but in the event a gift is proposed, approval must be secured in advance from both the cognizant director of the operating area involved and the Executive Director. However, an employee may only accept inexpensive gifts of an advertising and promotional nature. Gifts which do not fit this category must be returned. If the return of a gift is not practicable because of its nature, it may be given to a charitable institution and the giver informed of its disposition.

Employees or agents of the organization may neither give nor receive any lavish or expensive entertainment, but occasional normal and customary social business amenities are permitted.

If employees or agents are asked to make or accept a payment or gift in any form prohibited by this code, they should report the matter to their supervisor immediately.

E. Record Keeping

To provide an accurate and auditable record of all financial transactions, the organization's books, records, and accounts must be maintained in conformity with generally accepted accounting principles. Employees are responsible for safeguarding organization assets under their control and for maintaining an auditable record of financial transactions.

Further, the organization specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described on the books and records of the organization

2. Receipts and disbursements must be fully and accurately described on the books and records of the organization

3. No false entries may be made on the books or records; nor any false or misleading reports issued

4. Payments may be made only to the granting party or a valid assignee and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

If an employee has reason to believe that the organization's books and records are not in accord with the foregoing requirements, report the matter to the Executive Director.

203 Organizational Conflict by Board of Director Participation

With the exception of elected officials, no member of the organization’s Board of Directors may at the same time be a member of a funded subgrantee's Board of Directors or one of its executives or officials.

204 Ethical Standards in Bidding, Negotiation and Performance of Government Awards

A. The organization will strictly observe the laws, rules and regulations that govern acquisition of goods and services by the U.S. government. We will compete fairly and ethically for such business opportunities.

B. Employees involved in the negotiation of grants will make all reasonable efforts to assure that all statements, communications and representations to funding source representatives are accurate and current. Care should be taken by personnel in a position to know that there are no material substitutions from specifications and the products meet or exceed contractual specifications.

205 Fraud Policy

The organization considers acts of malfeasance, fraud, misrepresentation, or defalcation committed by its staff members to be reprehensible and, in response, will take all disciplinary or other action that the organization deems appropriate. Malfeasance may include falsifying time sheets or documents, abuse of sick time, theft, etc. Defalcation includes the misuse or stealing of funds or other organization resources. Any questions should be directed to the Executive Director.

206 Board of Directors Authorities

The Board of Directors operates in accordance with the organization’s Articles of Incorporation and bylaws. The Board shall have the sole authority to approve such matters as: (i) change of the organization's name, (ii) adoption of the annual operating budget and amendments or revisions thereto, (iii) selection or termination of the Executive Director, (iv) investment policies, (v) incurring of long-term debt, mortgages or other encumbrances and their covenants and restrictions, (vi) selection of the organization's public accountant, (vii) change bylaws and other business practices as needed, (viii) engaging in fiscal sponsorship.

207 Signature Authorities

Type of Authority	Amount	Who
Grants and Contracts	All	Executive Director
Expenditures	Up to $1,500	Executive Director
Expenditures, executed by the Executive Director	All	Designated Board Member
Expenditures, executed by Staff	All	Executive Director
Purchase Orders, initiated by Executive Director	Over $1,500 (PO only required for over $1,500)	Designated Board Member
Purchase Orders, initiated by Staff	Over $1,500 (PO only required for over $1,500)	Executive Director
Expenditure Requests	Up to $1,500 (Over $1,500 requires PO)	Executive Director
Federal Funds Wire Transfers	All	Executive Director, Finance Manager
Travel Requests	All	Executive Director
Password Access to Bank Accounts	All	Finance Manager, Executive Director
Authorized to negotiate and commit the organization to financing arrangements	All	Board of Directors
Authorized to execute long term investments/endowment assets	All	Board of Directors
New Hires	All Positions	Executive Director
Salary action, transfer, promotion and termination	All Positions	Executive Director
Job Descriptions	All	Board of Directors
Leave of absence	All	Executive Director

208 EFT Transfer, Authority for

Only the Executive Director is authorized to confirm and/or execute bank electronic funds transfers from one organization bank account to another. For all transactions, or for transfers to any other bank, prior written approval must be obtained from the Executive Director.

209 Finance Manager, Role of

The role of the Finance Manager of the organization will include the following duties:

1. Receives unopened bank statements.

2. Provides input to the Executive Director in developing the annual budget.

3. Prepares all financial reports.

4. Prepares bank reconciliations.

5. Manages the asset accounts.

6. Monitors the transfer of funds and maintains the appropriate records of this transaction.

7. Processes all receipts and disbursements.

8. Processes the payroll, including payroll tax returns.

9. Files supporting documentation in the appropriate vendor files.

10. Reconciles the statement of credit card deposits and service charges.

11. Double checks all reimbursement requests against receipts provided.

210 Other Cash Handling Policies

A. Revenues (incoming cash)

1. All cash and checks arrive at the organization through the Post Office or are delivered by the Executive Director following a fee based event.

2. All cash is to be counted and documented using a count form by two staff working together, prior to being deposited.

3. All deposits are prepared by the Executive Director or a Program Coordinator unless the funds are wired into the bank account directly, as they are with federal grant fund requests.

4. Deposit information, including copies of checks if possible, is given to the Finance Manager to record in the accounting software program.

5. After entering the income line item as directed by the Executive Director, the Finance Manager places the deposit information and receipt if available into the proper binder.

B. Expenditures (outgoing cash)

1. Checks are prepared by the Finance Manager and signed by the Executive Director (or authorized Board member) after receiving invoices that are approved. Once the checks are written, the invoice is stamped and coded for date, bank account, check number, grant or class, and expense line item. Checks from the Executive Director's imprest account will be written and signed by the Executive Director, but the balance in the account will be kept to a $10,000 limit.

2. When the Executive Director writes checks from the imprest account, the Finance Manager records the expenditures when the invoices and check numbers are provided. The invoices and check numbers will be provided to the Finance Manager within one week of being written.

3. All credit card receipts are to be kept on file and include information regarding the cost grouping and expense account charged for the expenditure.

211 Bank Reconciliation Policies

A. Bank statements are to be received unopened by the Finance Manager. The Finance Manager reviews the contents for inconsistent check numbers, signatures, cash balances and payees. After this cursory review is conducted, the Finance Manager will reconcile the bank accounts.

B. The Finance Manager reconciles each account promptly upon receipt of the bank statements. All accounts will be reconciled no later than 7 days after receipt of the monthly bank statements.

C. When reconciling the bank accounts, the following items will be included in the procedures:

1. A comparison of dates and amounts of daily deposits as shown on the bank statements with the cash receipts journal.

2. A comparison of inter-organization bank transfers to ensure that both sides of the transactions have been properly recorded on the books.

3. An investigation of items rejected by the bank, i.e., returned checks or deposits.

4. A comparison of wire transfers dates received with dates sent.

5. A comparison of canceled checks with the disbursement journal as to check number, payee and amount.

6. An accounting for the sequence of checks both from month to month and within a month.

7. An examination of canceled checks for authorized signatures, irregular endorsements, and alterations.

8. A review and documentation of a void check.

D. Completed bank reconciliations are reviewed by the Executive Director and initialed. The reconciliation report is attached to the bank statement and filed.

E. The Executive Director and Board Treasurer receive a monthly Profit &Loss statement and a current Balance Sheet after the reconciliation.

212 Other Reconciliations

A. Each month the Finance Manager, Executive Director and Board Treasurer review the ending balance shown on balance sheet accounts such as the cash accounts, accounts receivable, accounts payable and deferred revenue. The Finance Manager and Executive Director review the bank reconciliations, schedules of accounts receivable and deferred revenue and the aging of accounts payable to support the balances shown on the balance sheet.

B. Assets - These accounts will include cash, equipment and fixtures, and intangible assets.

1. Cash - The balances in cash accounts should agree with the balances shown on the bank reconciliations for each month.

2. Property, Equipment & Fixtures - The amounts in this account should equal the totals generated from the audited depreciation schedules. When additional purchases are made during the year, the balances in the accounts may be updated accordingly.

C. Liabilities - These accounts are described as accounts payable, payroll tax liabilities, and amounts due to others.

1. Accounts Payable - The balance in this account will equal amounts owed to vendors at the end of the accounting period.

2. Payroll Tax Liabilities - The amounts in these accounts are automatically withheld from employee paychecks as well as the employer’s portion of the expense for the period and are paid electronically by the Finance Manager in a timely fashion.

3. Due to Others - Any amounts owed to others at the end of the period will be recorded.

D. Income/Expenses - These accounts are described as income from grants, donations, contributions, publications, and other expense line items such as salaries, consulting fees, etc.

1. Income - Amounts deposited to cash accounts will be reconciled with funding requests, funder's reports, draw down schedules, etc.

2. Gross Salary Accounts - Balances in gross salary accounts will be added together and reconciled with amounts reported on quarterly payroll returns.

3. Consulting - The amounts charged will be reconciled to the contracts.

4. Employee reimbursements: when a reimbursement is submitted, the reimbursement requests will be reconciled with receipts provided. All credit card bills are reconciled and filed with receipts and the report, along with the check number written upon it.

E. Credit Card Accounts

1. All credit card accounts will be reconciled on a monthly basis and all receipts for charges made will be filed with each monthly statement.

213 Political Activity

A. The Hatch Act and the Intergovernmental Personnel Act of 1970 preclude Federal funds from being used for partisan political purposes of any kind by any person involved in the administration of Federally-assisted programs.

B. Employees of this organization are precluded, during periods of compensated time, from lobbying, preparing political publications or materials, making partisan political speeches or engaging in related activities intended to influence legislation or to promote a political party or candidate.

214 Davis-Bacon Compliance

Currently, Davis-Bacon does not pertain to National Science Foundation (NSF) grants. This may change in the future and it may be different for various funding agencies, whether Local, State or Federal funding sources. Please check with the organization's auditors to determine if Davis-Bacon pertains to the grants you are seeking. Please check this before awarding any contracts, purchase orders or the expenditure of funds in general. If Davis-Bacon does apply below are some of the provisions the organization needs to consider.

A. For all construction, etc., covered by the Davis-Bacon Act, all laborers and mechanics employed by grantees or subgrantees to work on construction projected financed by Federal assistance must be paid wages not less than those established for the locality of the project by the Secretary of Labor.

B. The organization will insert the appropriate contract provisions regarding the Davis-Bacon Act in all applicable invitations for bid/requests for proposal, and resulting contracts.

C. The organization will require all contractors and subcontractors to which the Davis-Bacon Act applies to certify all salaries and wages in compliance with the Act.

215 Control of Non-Contemporaneous Cost Transfers

For all transfers of costs from one grant to another, and from a direct cost to an indirect cost or vice versa, the organization will:

A. Have available in its accounting records an appropriate written justification statement for any cost transfers

B. The Executive Director will initiate written requests for cost transfers to the Board. The Board will communicate its approval or denial of cost transfer requests to the Executive Director in writing. See Section 316-L for cost transfer approval criteria and restrictions.

C. Reflect the adjustment in its General Journal.

216 Government Access to Records

The Executive Director will provide access to the organization's records to the Comptroller General or his or her designee and provide supporting records as requested by government auditors to facilitate the completion of such audits or reviews.

217 Security of Financial Data

A. The organization's automated accounting system will have sufficient built-in general controls and application controls to preclude unauthorized access to data.

B. Access to any computer-based financial data will be granted on a need-to-know basis as determined by the Executive Director.

C. The system's accounting data will be backed up weekly by the finance manager and stored in a safe location.

218 Use of the Organization’s Assets

A. No employee of the organization may use any organizational property, equipment, material or supplies for personal use without the prior approval of the employee’s supervisor.

B. Any such material uses of organizational assets for personal purposes may be reportable to the Internal Revenue Service for tax purposes.

219 Preparation and Entry of General Journal Entries

An independent certified public accountant engaged to assist in organization bookkeeping prepares necessary journal entries and submits them to the Executive Director for approval. Upon approval, the accountant enters general journal entries to the organization accounting system in person or by telephone direction to the Finance Manager. Submitted journal entries include date, amounts, accounts affected, and an explanation of the journal entry.

300 FINANCIAL MANAGEMENT POLICIES

301 Basis of Accounting

The organization will report program outlays and program income on the accrual basis. Accordingly, expenditures are recorded when a liability is incurred but revenue is not recorded until actually earned by or is available to the grantee or subgrantee. "Available" means that the revenue is both recognizable and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

302 Incurred Costs

Outlays or expenditures represent charges made to a project or program. They are generally reported on an accrual basis. For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subgrantees. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expenses incurred, the value of in-kind contribution applied, and the net increase (or decrease) in the amounts owed by the grantee for goods and other property received, for services performed by employees (including employee benefit accruals and Paid time off accruals), grantees, subgrantees and other payees, and other payees and other amounts becoming owed under programs for which no current services or performance are required such as annuities, insurance claims, paid time off earned, and other benefit payments.

303 Elements of an Acceptable Financial Management System

A. The organization will maintain records and make reports in such form and containing such information as may be required by its funding sources. The organization will maintain such accounts and documents as will serve to permit expeditious determination of the status of funds and the levels of services, including the disposition of all monies received from its funding sources and the nature and amount of all charges claimed against such funds.

B. Title 45 Code of Federal Regulations Subpart 74.61(b) and the administrative rules of other Federal agencies require that grantees or subgrantees have records that identify adequately the source and application of funds for grant or subgrant-supported activities. At a minimum, these records will contain information pertaining to grant or subgrant awards, authorizations, obligations, unobligated balances, assets, outlays, income, and, if the recipient is a governmental entity, liabilities.

C. For the purpose of determining the adequacy of a subrecipient's financial management system, the organization will maintain on a current basis as a minimum:

If the subrecipient is required to have an A-133 audit, the organization will keep and review a copy of the most recent completed audit. If the subrecipient is not required to have an A-133 audit, but does have a financial statement audit, the organization will keep and review a copy of the most recent audited financial statements. If the subrecipient does not have a financial statement audit the organization will make a good faith effort to monitor the expenditures of the subrecipient.

304 Cash Management

A. According to Treasury Circular 1075, the time elapsed between the transfer of funds from the U.S. Treasury and disbursement by the organization should be minimized and should be limited to the actual, immediate cash requirements of the organization.

B. If required by the Federal agency, the organization will, insofar as feasible, limit cash advances in the hands of their subgrantees or grantees to not more than three day's needs.

C. Fiscal personnel of the organization will ascertain through telephone contact and other means the actual cash balances held by its subgrantees and grantees.

305 Budgets

The Executive Director with the help of the Finance Manager will prepare, have approved by the Board of Directors, and keep up to date an annual operating budget of revenues and expenses. Budget amendment requests will be initiated in writing by the Executive Director and submitted to the Board. Funding agency requirements, award terms and conditions, and federal regulations governing prior agency approval and allowable costs will be reviewed by the Board to ensure full compliance. Budget revision requests will be denied by the Board of Directors when requests are outside of the original scope of the project, if the organization is unable to obtain prior sponsor approval (if required), or if revision requests do not comply with the terms of the award, agency regulations, or OMB A-21 requirements. Approval of budget revision requests meeting Board criteria will be communicated by the Board in writing.

306 Insurance and Bonding

The organization will maintain the coverage for general liability, worker’s compensation, and directors and officers.

307 Record Retention

The organization follows the document retention procedures outlined below. Documents that are not listed, but are substantially similar to those listed in the schedule, will be retained for the appropriate length of time.

A.	Corporate Records:	
	Annual Reports to Secretary of State/Attorney General	Permanent
	Articles of Incorporation	Permanent
	Board Meeting and Board Committee Minutes	Permanent
	Board Policies/Resolutions	Permanent
	Bylaws	Permanent
	Construction Documents	Permanent
	Fixed Asset Records	Permanent
	IRS Application for Tax-Exempt Status (Form 1023)	Permanent
	IRS Determination Letter	Permanent
	State Sales Tax Exemption Letter	Permanent
	Contracts (after expiration)	7 years
	Correspondence (general)	3 years
B.	Accounting and Corporate Tax Records:	
	Annual Audits and Financial Statements	Permanent
	Depreciation Schedules	Permanent
	IRS Form 990 Tax Returns	Permanent
	General Ledgers	Permanent
	Business Expense Records	7 years
	IRS Forms 1099	7 years
	Journal Entries	7 years
	Invoices	7 years
	Sales Records (box office, concessions, gift shop)	5 years
	Petty Cash Vouchers	3 years
	Cash Receipts	3 years
	Credit Card Receipts	3 years
C.	Bank Records:	
	Check Registers	Permanent
	Bank Deposit Slips	7 years
	Bank Statements and Reconciliation	7 years
	Electronic Fund Transfer Documents	7 years
D.	Payroll and Employment Tax Records:	
	Payroll Registers	Permanent
	State Unemployment Tax Records	Permanent
	Earnings Records	7 years
	Garnishment Records	7 years
	Payroll Tax Returns	7 years
	W-2 Statements	7 years
E.	Employee Records:	
	Employment and Termination Agreements	Permanent
	Retirement and Pension Plan Documents	Permanent
	Records Relating to Promotion, Demotion, or Discharge	7 years after term.
	Accident Reports and Worker's Compensation Records	5 years
	Salary Schedules	5 years
	Employment Applications	3 years

I-9 Forms	3 years after term.
Time Cards	2 years

F. Donor and Grant Records:

Donor Records and Acknowledgment Letters	7 years
Grant Applications and Contracts	7 years after comp.

G. Legal, Insurance, and Safety Records:

Appraisals	Permanent
Copyright Registrations	Permanent
Environmental Studies	Permanent
Insurance Policies	Permanent
Real Estate Documents	Permanent
Stock and Bond Records	Permanent
Trademark Registrations	Permanent
Leases	6 years after exp.
OSHA Documents	5 years
General Contracts	3 years after term.

H. Electronic Documents and Records

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files, including records of donations made online, that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an e-mail message, the message should be printed in hard copy and kept in the appropriate file or moved to an "archive" computer file folder. Backup and recovery methods will be tested on a regular basis.

I. Document Destruction

The Finance Manager is responsible for the ongoing process of identifying its records, which have met the required retention period, and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding.

Document destruction will be suspended immediately, upon any indication of an official investigation or when a lawsuit is filed or appears imminent. Destruction will be reinstated upon conclusion of the investigation.

J. Compliance

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against the organization and its employees and possible disciplinary action against responsible individuals. The Finance Manager and Executive Director will periodically review these procedures with legal counsel or the organization's certified public accountant to ensure that they are in compliance with new or revised regulations.

K. Emergency Planning

The organization's records will be stored in a safe, secure, and accessible manner. Documents and financial files that are essential to keeping the organization operating in an emergency will be duplicated or backed up at least every week and maintained off-site.

308 Financial Reporting

The Executive Director and Finance Manager of the organization will maintain supporting records in sufficient detail to prepare the organization's financial reports, including:

- Financial statements for audit: Statement of Financial Position, Statement of Activities and Statement of Cash Flows
- Annual budget
- Annual Federal and State tax return
- IRS Forms 941, 501 and payroll tax returns and comparable state taxing authority returns
- Other reports upon request of the Board of Directors

309 Provision of Financial Reports

A. The following reports are to be provided by the Finance Manager to the Executive Director on a monthly basis:

1. Balance sheet (or Statement of Financial Position)

2. Statements of income and expense for each department (operating, project) (or Statement of Activities)

3. Consolidated balance sheets

4. Consolidated income and expense statements that show all departments combined

5. If applicable, a budget-to-actual income statement for all accounts included in the annual operating budget

6. If applicable, a list of deferred and receivable funds

7. If applicable, a cash flow projection

B. Once the monthly reports are reviewed by the Executive Director, they will be forwarded to the Board Treasurer for comments. The reports will be finalized before the end of the month following the reporting period.

C. A basic set of financials (balance sheet, income statement, and cash flow statement) will be provided to the Board of Directors on a quarterly basis for Board acceptance.

D. Annually, the Finance Manager will provide a balance sheet and an income statement for the fiscal year to the Board Treasurer for review before the statements are distributed at the annual meeting.

310 Financial Statement Format

The organization will observe the following financial statement format:

A. Comparative financial data will be presented for prior year(s) when appropriate.

B. For the Statement of Activities, costs will be categorized by functional categories.

311 Audit

A. The organization will have conducted annually an audit by a qualified independent public accountant.

B. Each grant received from a government entity and receiving $300,000 or more of funding from Federal assistance awards will have conducted an annual audit in accordance with the Single Audit Act of 1996, PL 104-156, and OMB Circular A-133. Moreover, independent public accountants conducting such audits will abide by the American Institute of Certified Public Accountants (AICPA) Statement of Position, Audits of States, Local Governments and Not-for-Profit Organizations Receiving Federal Awards, contained in Statement of Position 98-3.

312 Scope of Audit Report

The Single Audit provides that:

A. The audit will be made by an independent auditor in accordance with generally accepted government auditing standards covering financial and compliance audits.

B. The audit will cover the entire operations of the organization or, at the option of the organization, it may cover programs/grants/projects that received, expended or otherwise administered Federal financial assistance during the year/a single program expending over $300,000. The auditor will determine whether:

   1. The financial statements and the accompanying schedules of the organization present fairly its financial position and the results of its financial operations in conformity with accounting principles generally accepted in the United States.

2. The organization has internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations.

3. The organization has complied with laws and regulations that may have a material effect on its financial statements and on each major Federal assistance program.

313 Frequency of Audits and Due Date for Audit Report Submissions

A. An audit of the organization will be conducted no less frequently than annually.

B. The audit report will be submitted to the granting agency within 9 months after the organization's year-end. If for reasons within the control of the organization, this report cannot be submitted by this time, funding may be suspended by the granting agency. The organization will make a written request for an extension of time for justifiable reasons to the granting agency before 9-month deadline. Such request will be submitted with sufficient time for granting agency review and approval.

314 Audit Resolution

A. The organization will systematically assure the timely and appropriate resolution of audit findings and recommendations.

B. The organization will ensure that appropriate corrective action, including settlement and payment of any unacceptable costs, is taken within six months after receipt of an acceptable audit report for a subgrantee in instances of noncompliance with Federal or state laws and regulations.

315 Preparation of IRS form 990 – Return of Exempt Organizations

A. The organization's annual Exempt Organization tax return, Form 990, will be prepared by an Independent Certified Public Accountant.

B. The Executive Director will sign and certify that the IRS Form 990 is accurate and complete.

C. The Board Treasurer will review and approve the IRS Form 990 annual tax filing prior to submission, and the full Board shall receive a copy of the IRS Form 990 within 30 days of its submission.

D. Consistent with the requirements of 6104(d) of the Internal Revenue Code and the regulations, copies of the organization's Form 990 shall be made available, upon request, in a timely manner, and to any individuals who request it.

316 Grant Compliance

A. In accepting a grant, the organization assumes an obligation to administer the award in compliance with all applicable institutional, agency, federal, state or other regulations governing the use of those funds. Likewise, the principal investigator (P.I.) agrees to abide by the terms and conditions of the award and manage funds within approved budgets. The principal investigator initiates in writing required approvals for budgetary and programmatic changes, prepares technical reports, and ensures that individuals employed under the grant are familiar with institutional and agency compliance issues.

B. The Principal Investigator (Executive Director) is responsible for the ongoing fiscal management of awarded projects, including regular monitoring against project period budgets. The Executive Director reviews all transaction and supervises the Finance Manager in the preparation of financial reports. Required Financial Reports are prepared according to the grantors schedule and submission guidelines. The Executive Director reviews and approves all reports prior to submission.

C. The Executive Director and the Finance Manger will review a comparison of all project budgets and expenses on a monthly basis to ensure that the P.I. (Executive Director) is not incurring obligations in excess of total funds. If, as a result of this monthly budget monitoring process, an account is close to or has exceeded the budgeted amount, the Finance Manager and Executive Director will review spending and budgets to see if a budget transfer needs to be made. If a budget account has been exceeded upon expiration of the term of the sponsored project, and if additional funds have not been received from the sponsor, the PI (Executive Director) must identify in writing an appropriate source of funds (e.g. operating funds) to cover the expense.

D. Grant Receipt/Renewal Procedures

1. When a new grant is received or renewed, a copy of the executed grant must be forwarded to the Finance Manager.

2. The Executive Director will set up a permanent file for the grant and maintain the contract along with any other financial correspondence regarding the grant. The Finance Manager will maintain copies for reference.

3. It is the responsibility of the Finance Manager to review the grant contract and extract any fiscal items which must be complied with by the organization. Typically, for federal government grants, the organization will adhere to the following publications put out by the Office of Management and Budget (OMB) and the Comptroller General's Office:

a. OMB Circular A-110 Grants and Agreements with Institutions of Higher Learning, Hospitals and Other Non-Profit Organizations

b. OMB Circular A-122 Cost Principles for Non-Profit Organizations

c. OMB Circular A-133 Audits of Institutions of Higher Learning & Other Non-Profit Organizations

E. The P.I. (Executive Director) is allowed a certain degree of latitude in transferring funds between budget line items with the understanding that no grant appropriations are to be used for purposes other than those consistent with the original intent of the project. It is the responsibility of the P.I. to become familiar with agency-specific guidelines.

F. During the performance of a project, it may be appropriate for funds to be reallocated to support advancement of the project. The Principal Investigator (Executive Director) has broad discretion to rebudget within the cost and administrative principles. Unless otherwise stated in the grant, the Principal Investigator (Executive Director) is authorized to transfer funds among various budget categories for allowable expenditures without prior granting agency approval.

G. Prior written authorization will be requested for items as required by each individual grant.

H. Changes in participant support costs require Program Officer approval; all the other changes listed above require Program Officer and Grants Officer approval.

I. For grants other than NSF, the P.I. (Executive Director) will request authorization in writing for any revision that requires prior sponsoring agency approval.

J. When the organization is expending federal funds, prior written approval from the sponsoring agency is required for the purchase of:

1. Capital expenditures for land or buildings

2. Insurance and indemnification expenses

3. Pre-award costs

4. Public information service costs

5. Rearrangement and alteration costs

K. The Finance Manager requests and prepares cash draws for each account; the requests are then approved by the Executive Director to cover grant-related expenditures. The draws are sent electronically to designated federally insured bank accounts. Funds are requested on an as needed basis based on the best available forecast of expenses prepared by the Executive Director.

L. Per OMB A-21, costs allocable to one sponsored agreement may not be transferred to another sponsored agreement in order to meet deficiencies caused by overruns, to avoid restrictions set by law or by the terms of the award, or for convenience. A cost transfer is therefore only allowed between two funded programs if both projects are funded by the same agency and both program officers provide prior approval of the transfer. Any necessary cost transfers must be requested promptly, preferably within 90 days of the original transaction. Cost transfers to be processed between 91 and 120 days from the original transaction must be approved by the Board and signed by the Executive Director and the Board Treasurer. See Section 215-B for cross transfer approval process.

317 Fiscal Sponsorship

A. The organization will engage in fiscal sponsorship only if the following are met: (i) the Board of Directors approves the sponsorship, (ii) the project being sponsored shares core values with the organization and (iii) the sponsorship does not violate an IRS rules regarding fiscal sponsorship, meaning that the organization will maintain a level of control over the sponsored funds so as to maintain the tax deductibility of the funds.

400 POLICIES RELATED TO ASSETS, LIABILITIES AND NET ASSETS

410 ASSETS

411 Bank Accounts

A. Bank accounts for the indicated purpose(s) and limitation(s) have been authorized by the Board of Directors of the organization at the indicated Federal Deposit Insurance Corporation (FDIC)-insured banks for the specified maximum authorized bank balances:

Name of Bank	Purpose/Limitation of Account	Maximum Authorized Balance
First Interstate Bank	General Hopa	as FDIC will insure
First Interstate Bank	Checking	
First Interstate Bank	CEY-HHS	
First Interstate Bank	NSF	

B. To the maximum extent practical, the organization's funds will be maintained in interest-bearing accounts.

412 Contributions and Pledges, Accounting for

A. Contributions received, including unconditional pledges, are to be recognized as revenues in the period received. Contributions in a form other than cash are to be measured at the fair market value of the items received.

B. All contributions received should be classified as permanently restricted net assets, temporarily restricted net assets or unrestricted net assets.

413 Accounts Receivable Policy

A. The minimal number of invoices created for the organization is generated by the Finance Manager in the accounting system using information provided by the Executive Director.

B. The Finance Manager will run an aging once per month to determine any outstanding invoices and will follow up with the customer either by sending a second invoice or making a phone call in attempt to collect payment.

414 Capitalization Policy

A. All tangible personal property with a useful life of more than one year and a unit acquisition cost of $5,000 or more for non-profit organizations will be capitalized and depreciated over its useful life using the straight line method and depreciable life as determined by the Internal Revenue Service. The organization will expense the full acquisition cost of tangible personal property below this threshold in the year of purchase.

B. A database of capitalized assets is to be maintained by the Finance Manager for all fixed assets.

1. The database should contain the following information:

a. date of purchase

b. description of item purchased

c. received by donation or purchased

d. cost or fair market value on the date receipt

e. donor or funding source, if applicable

f. funding source restrictions on use or disposition

g. identification/serial number (if appropriate)

h. depreciation period

i. vendor name and address

j. warranty period

k. check number used to pay for the equipment

C. The basis of accounting for depreciable fixed assets is acquisition cost, and all normal expenditures, including installation costs, architect-engineer fees, etc., of readying an asset for use will be capitalized. However, unnecessary expenditures that do not add to the utility of the asset will be charged to the period incurred.

415 Donated Property or Equipment

Donated assets that, at the time of receipt, meet the organization's criteria for capitalization will be capitalized at their fair or appraised value.

420 LIABILITIES

421 Accounts Payable

A. Only valid accounts payable transactions based on documented vendor invoices, receiving reports or other approved documentation shall be recorded as accounts payable.

B. A voucher system, composed of the vendor invoice, packing slip, requisition, receiving report, authorization of acceptance of goods or services, etc. will be observed by the organization.

422 Accounts Payable Payment Policy

Vendors, suppliers and subcontractors will be paid on a prompt payment discount date or due date if no discount is offered.

423 Advance Payments

The organization receives payment on some grants in advance. These revenues are deferred and recognized as income in the period in which the related products or services are delivered.

424 Liability for Paid Time Off Policy. (Compensated Absences)

A. The organization accrues, on an annual basis, for the cost of employee Paid Time Off (PTO). The accrued balance is maintained as a liability until the employee uses their PTO or is paid for accumulated PTO according to the organization's PTO policy. The compensated absences arise from employees' absences from employment due to vacation, personal leave, etc. When the organization expects to pay an employee for such compensated absences, a liability for the estimated probable future payments must be accrued if all of the following conditions are met:

   1. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee

   2. The employee's right to receive the compensation for the future absences is vested or accumulates according to the organization's Paid Time Off policy.

   3. It is probable that the compensation will be paid

   4. The amount of compensation is reasonably estimable.

B. Compensated absences not to be paid upon employee termination will be reflected when paid.

425 Deferred Revenue

Many governmental entities and non-profit organizations recognize revenue upon receipt of an award of a grant or contract. However, for services against such awards to be rendered in subsequent fiscal years, the organization treats such revenues as temporarily restricted.

430 NET ASSETS

431 Unrestricted, Temporarily Restricted and Permanently Restricted Net Assets

According to FASB 117, the organization will classify its net assets into three classes -- permanently restricted, temporarily restricted and unrestricted -- based on the existence or absence of donor-imposed restrictions.

432 Endowment Funds

A. Initial receipts for gifts, grants or bequests under an endowment agreement will be recorded as a net asset addition based on the fair market value of the property received.

B. Separate line items will be reported within the notes to financial statements to distinguish between permanent restrictions for holdings of (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be preserved, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

C. Unrestricted investment income from endowment funds and term endowment funds will be recorded as unrestricted investment income. Restricted expendable investment income will be accounted for as an addition to temporarily restricted net assets. Investment income that must be added to the principal balance as required by a donor or grantor agreement will be recorded as an addition to permanently restricted net assets. Also, gains or losses from investments will be recorded as additions or deductions to the class of net assets to which they relate.

D. When a term endowment fund expires, surplus resources will be transferred to unrestricted net assets.

500 REVENUE SOURCES

501 Revenue Recognition

Revenue under cost reimbursement-type grants is recorded as costs are incurred.

502 Program Income

A. Program income is gross income generated directly by a grant supported activity or earned only as a result of the grant agreement during the grant period.

B. Depending on the method provided for in the grant agreement, program income will be deducted from outlays, added to the funds committed to the grant agreement, or used to meet the cost sharing or matching requirements of the grant agreement.

503 Contributions

A. A contribution is an unconditional transfer of cash or other asset to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by an entity acting other than as an owner.

B. Contributions received, including unconditional promises to give, are recognized as revenue in the period received at their fair market value, in conformance with Statement of Financial Accounting Standard No. 116.

C. The organization will recognize those unconditional promises to give in the financial statements only when promises are evidenced in the form of verifiable documentation.

D. Rather than recognizing such contributions as contribution revenue, the organization will treat as a liability any cash or other financial asset from a donor which it agrees to disburse, the return from investing them, or both to the specified beneficiary(ies), according to FASB Statement No. 136.

504 Definition of Grants as a Contribution

It is the organization's policy to consider a grant as a contribution as defined by paragraph 5 of FASB 116.

505 Donated Facilities or Services

Contributed facilities or services (e.g., volunteers) shall be recognized as revenue if the services received:

A. Create or enhance nonfinancial assets, or

B. Require specialized skills: are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation.

506 Contributions of Long-Lived Assets

Long-lived assets should be recognized as unrestricted support unless specified differently by the donor.

507 Interest Earned on Advances

Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act and the Indian Self-Determination Act, the organization will, at least quarterly, remit interest earned on advances to the applicable Federal agency. The organization may retain interest amounts up to $250 per year to offset administrative expenses.

508 Investment Income

Any gains or losses from investments will be reported on the Statement of Activities.

509 Rental Income

Rent payments received net of any prepayments and net of any credits for costs incurred on government awards will be recorded as income.

510 Royalties

Revenue from royalties for the use of patents, licenses or copyrights shall be recorded as income when earned according to any agreements entered into by the organization.

511 Barter Transactions

The organization records all barter (nonmonetary) transactions at the time such agreements are consummated. The estimated fair value of goods or services received is recognized as revenue when the source is used.

600 COST ACCOUNTING POLICIES

601 Consistency in Cost Accounting

Practices used by the organization in estimating costs in preparing its grant proposals will be consistent with its accounting practices used in accumulating and reporting costs. Accounting practices used by the organization in accumulating and reporting actual costs for a grant will be consistent with its practices used in estimating costs in its grant proposals. Moreover, all costs incurred for the same purpose, in like circumstances, are either direct costs only or indirect costs only with respect to grants.

602 Unallowable Costs

The following costs shall be refunded (including interest) in accordance with applicable Federal agency regulations:

A. Costs specifically identified as unallowable in OMB Circular A-21, Section J, either directly or indirectly, and charged to the Federal Government.
B. Excess costs due to failure by the organization to comply with the cost policies in OMB Circular A-21.
C. Increased costs due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs.
D. Increased costs resulting from a change in accounting practice.

Costs expressly unallowable will be identified in separate accounts and excluded from a billing, claim or grant application to a funding source. The following expenses are unallowable:

- Alcohol
- Entertainment - including luncheons, dinners, banquets, receptions, flowers and decorations purchased for an event, and other entertainment-related costs. The only exception to the OMB A-21 prohibition is a meal (generally a luncheon) directly preceding or followed by business-related activities. Such a meal would be provided for the conservation of time and the convenience of those at work.
- Memberships, subscriptions, and professional activities - see OMB A-122 for exceptions 30.a-c
- Advertising, public relations, and fundraising
- Commencement and convocation costs - commencements and convocations encompass all activities associated with the graduation exercises, including those events designed to honor individuals for their achievements.
- Movable equipment - movable equipment whose cost exceeds $5,000 per unit and has an expected life of more than one year is considered capital equipment.
- Legal fees
- Lobbying
- Good or services for personal use
- Donations or contributions by the institution (Hopa)
- Housing and Personal Living Expenses
- Interest incurred – late payment fees, etc.

- Professional fees – attorney, accountant, and consultant fees unless specified in the grant
- Patent Costs
- Relocation Costs
- Selling and Marketing
- Travel costs that exceed the federal per diem rates
- Foreign travel unless prior approval of granting agency is received

The term *unallowable* is used for the purposes of defining what will not be reimbursed to Hopa Mountain by the Federal Government. By identifying these expenditures Hopa Mountain's Accounting Department is able to remove them from its request to the Federal Government for reimbursement. OMB circulars and this listing of unallowable costs are made available to organization staff to assist them in understanding the organization's policies and procedures regarding unallowable costs.

603 Detailed Records of Unallowable Costs

The organization will maintain separate records in its direct cost categories and in each of its indirect cost pools for all expressly unallowable costs.

A. Costs expressly unallowable or mutually agreed to be unallowable, including costs mutually agreed to be unallowable directly associated costs, shall be identified and excluded from any billing, claim, application, or proposal applicable to a sponsored agreement.

B. Costs which specifically become designated as unallowable as a result of a written decision furnished by a Federal official pursuant to sponsored agreement disputes procedures shall be identified if included in or used in the computation of any billing, claim, or proposal applicable to a sponsored agreement. This identification requirement applies also to any costs incurred for the same purpose under like circumstances as the costs specifically identified as unallowable under either this subsection or subsection A.

C. Costs which, in a Federal official's written decision furnished pursuant to sponsored agreement disputes procedures, are designated as unallowable directly associated costs of unallowable costs covered by either subsection A or B shall be accorded the identification required by subsection B.

D. The costs of any work project not contractually authorized by a sponsored agreement, whether or not related to performance of a proposed or existing sponsored agreement, shall be accounted for, to the extent appropriate, in a manner which permits ready separation from the costs of authorized work projects.

E. All unallowable costs covered by subsections A through D shall be subject to the same cost accounting principles governing cost allocability as allowable costs.

604 Direct and Indirect Costs

A. Costs incurred specifically for a final cost objective (e.g., a grant, subgrant, etc.) will be treated as direct costs. Costs benefiting more than one cost objective will be consistently treated as indirect costs. Costs necessary for the overall operation of the organization will be treated as management and general costs.

B. The organization will allocate all fringe benefits including compensated personal absences based on time spent.

605 Separate Records of Unallowable Costs

The organization will maintain separate records of all expressly unallowable costs.

606 Indirect Cost Expenditure Approval Process

The Executive Director will identify unallowable costs prior to incurrence and notify the Finance Director in writing regarding their classification and treatment in the books of the organization.

607 Quarterly Budget Review

The Finance Director will review the activity of the organization on a quarterly basis and submit a listing of unallowable costs to the Executive Director. Upon consent of the Executive Director, the Finance Director will make necessary corrections to the accounting records of the organization to reclassify indirect expenses improperly recorded.

608 Recording of Unallowable Funds

All unallowable expenses identified either prior to or after incursion will be recorded in the following accounts according to the specification listed in Section 604 of this manual:

Unallowable Direct Expenses
Unallowable Indirect Expenses

609 Cost Accounting Period

The fiscal year of the organization will be January 1 - December 31. The same accounting period will be used for all adjusting entries, accruals and deferrals as well as accumulating costs in an indirect cost pool and establishing its base.

610 Program Service Costs

A. Expenses will be classified in a manner that describes the organization's service activities. Each program service will be adequately described and will include all related service.

B. Costs related to the supervision of program services and supporting services should be prorated among those services.

611 Administrative Costs

All costs for the overall operation of the organization will be considered administrative.

612 Management and General Expenses

Costs that cannot be related to a specific program or fund-raising activity will be classified as management and general costs. These costs generally include executive direction, legal, budgeting and accounting, preparation of the organization's grant application and grant proposals, and like kind of management and general activities.

613 Advertising and Public Relations

A. In general, costs related to advertising or public relations are allowable, for the purposes of reimbursement from the U.S. government, when they are required or necessary to the performance of sponsored programs. Costs of advertising or public relations incurred solely to promote the organization are unallowable.

B. All advertising is unallowable except for: (1) recruitment of personnel, (2) procurement of goods and services, (3) disposal of scrap or surplus materials, or (4) other specific purposes necessary to meet the requirements of a sponsored award.

C. All public relations costs are unallowable except for: (1) costs specifically required by sponsored awards, (2) costs of communicating with the public and press pertaining to specific activities or accomplishments resulting from performance of sponsored awards, (3) costs of conducting general liaison with news media necessary to keep the public informed on matters of public concern, such as notices of contract/grant awards, financial matters, etc., or (4) necessary program outreach effort as required by sponsored programs.

D. Community relations, including that portion of exhibits, web pages, etc. related thereto, for those activities dedicated to maintain the image of the organization or promoting understanding and favorable relations with the community or the public-at-large or any segment of the public are unallowable, except as required or necessary to the performance of the sponsored programs.

E. Costs of meetings or other events related to fund raising (as distinct from allowable Bid and Proposal activities seeking restricted government or non-government support) or other purely organizational activities are unallowable as are the costs of promotional items and memorabilia.

614 Allocation of Legal Fees

Legal fees incurred specifically in connection with a final cost objective will be allocated as a direct cost. Minor amounts of direct legal fees and all legal fees benefiting more than one cost objective will be treated as an indirect cost.

615 In-Kind Costs

A. To satisfy a matching or cost-sharing requirement on a grant or contract, the organization will account for allowable in-kind costs.

B. Several items are not normally counted as in-kind:

1. Goods and services normally available free in the community and which would be available whether you operated the project or not, e.g., CPR training, space in a community center, etc.

2. Donated overtime of project staff whose regular working hours are paid with Federal funds.

3. Contributed time of elected officials of the Boards of Directors and Advisory Councils.

4. Value of space donated for meetings and other purposes in the homes of individuals, especially staff members.

5. Outdoor space such as playgrounds, park space and undeveloped lots.

C. Valuation of third-party, in-kind contributions:

1. Volunteer services: unpaid services valued at rates paid by other activities of the organization should be consistent with those paid for similar work in the same labor market. Rates of employees of other agencies should be priced at the base compensation rate exclusive of fringe benefits and overhead costs.

2. Donated real or tangible personal property:

a. Tangible personal property and donated real property (land and buildings): purchase price or fair market value at the time of transfer.

b. Donated use of property: valued as if the grantee has rented the property and has paid the property's fair rental value.

c. The organization may be required to establish the value of real property through the use of an appraiser.

3. Other charges: adequately supported and permissible. Charges must be reasonable and properly justified.

616 Accounting for In-Kind Costs, Acceptable Methods of

A. There is considerable concern that recording in-kind costs could distort the financial position of the organization, especially when more than a minimum match is reflected. On the other hand, a true picture of an organization's ability to achieve its mission would not be reflected if in-kind costs were not fully reflected.

B. In situations where in-kind services, equipment or space represents a major element whereby the organization can achieve its overall mission, in-kind costs should be recorded in the books of account in a properly approved general journal entry.

617 In-Kind Costs, Documentation of

The organization will obtain the same kind of documentation, to be retained for the same period of time, as required for incurred costs. To the extent feasible and practical, the organization will obtain independently generated documentation for in-kind costs: time sheets or log-in sheets for donated labor, written verification of the value of donated equipment or space, etc.

618 Subgrant Awards

A. The Federal Grant and Cooperative Agreement Act of 1977, 41 USC 501 et seq., as repealed by PL 97-258, 5(b) provided guidance to awarding agencies in making the determination between a grant versus a contract. The Act defines two basic categories: "procurement activities," where contracts are to be used and "assistance activities," where grants or cooperative agreements are to be used. The major distinction is whether the transaction is an "acquisition," in which case a contract is to be used, versus a "support arrangement," in which case a grant is to be used.

B. An acquisition is found where the result of the performance is "for the direct benefit or use" of the organization. This benefit would be occasioned by the "acquiring by purchase, lease or barter [of] property or services."

Contracts, or procurement actions, are always entered into to meet the organization's need for a particular product or service. Such agreements establish mutual rights and obligations of the organization as buyer and the contractor as the seller. The organization has rights it may or may not choose to exercise.

Under contracts, the organization pinpoints the particular product or service to be obtained. This could be stated as a unit of service provided the unit is measurable. In addition to its measurability, any quality standards should be spelled out.

Cost of the product or unit of service is usually a major factor contracting with otherwise qualified bidders. Since the interests of the contractor are not overwhelming considerations in such relationships, the organization may cancel for convenience (with recovery of some costs by the contractor) and for cause in cases of significant nonperformance.

C. The objectives of a grant are defined as general support, stimulation, equalization and demonstration. Financial assistance may be awarded for obtaining support or building capacity. This type of assistance relationship is one featured by the organization serving in the role of a "patron (supporter) or partner."

Under such a financial assistance relationship, the purpose of the award may be to advance the capacity and interests of the subgrantee, not of the organization. The organization does not direct work or approve deliverables. The organization, as granting agency, acts as a resource and provides advice and guidance to the recipient. Except for clearly demonstrated cutbacks in funding or substantiated changes in program priorities, financial assistance made may not be unilaterally terminated for the convenience of the organization. The organization may terminate for cause in cases of substantial noncompliance with the terms and conditions of the award.

D. Finally, selection of the instrument to be used in a specific situation will determine many of the procedures to be followed in entering into the arrangement because of the regulatory guidance applicable to the different instruments. If a contract is used, the Executive Director must follow the applicable procurement regulations. If a grant is used, there will be much more latitude to the organization as the awarding agency.

E. Based upon a determination of the organization, subgrants may be awarded competitively or noncompetitively. Regardless of how awarded, all subgrants should:

1. Contain a provision for compliance with OMB Circular A-110

2. Provide for all clauses required by Federal statute and executive orders and their implementing regulations

3. Be aware of requirements imposed upon them by Federal statutes and regulations.

619 Subgrant Accounting

A. According to AICPA SOP 78-10, grants made by nonprofit organizations to other organizations should be recorded as an expense when the recipient organization is entitled to the grant. Accrual usually occurs when the governing board of the nonprofit organization approves the grant or notifies the recipient organization that it is entitled to the grants.

B. Grants that extend over more than one year and require no substantial review or approval other than routine performance on the part of the recipient organization should be recorded as an expense and liability at the point of the initial review of the grant. When the multi-year grant is subject to revocation regardless of performance by the recipient organization the grant should not be accrued. Grants subject to periodic review and approval will be recorded as an expense when re-approval occurs.

C. For billing purposes on subgrant awards under grants with Federal, state and local government entities, only costs incurred by or on behalf of subgrantees may be charged to the various governments. For this reason, for such subgrants, only billable costs will be reflected.

620 Acquisition Cost of Material

A. When a cost objective was specifically identified at the time of purchase or production, the cost of material acquired for a final cost objective will be treated as a direct cost of that cost objective.

B. The cost of material that is used solely in performing indirect functions or is not a significant element of production cost will be allocated to an indirect cost pool.

621 Depreciation Method (See Capitalization Policy 429)

622 Segregation of Idle Depreciable Assets

The cost of depreciable assets idle for more than one year will be segregated from other depreciable assets. Depreciation for such assets will not be treated as a period cost.

623 Disposition of Assets, Gain or Loss on

Gains and losses from the sale, retirement or other disposition of depreciable property are to be included in the year in which they occur as credits or charges to the cost grouping(s) in which the depreciation or amortization applicable to those assets was included. The gain or loss for each asset disposed of is the difference between the net amount realized, including insurance proceeds from involuntary conversions, and its un-depreciated balance. The gain recognized for grant costing purposes will be limited to the difference between the acquisition cost (or for assets acquired under a capital lease, the value at which the leased asset is capitalized) of the asset and its un-depreciated balance.

624 Service Lives of Tangible Capital Assets for Depreciation Purposes

The organization will maintain supporting records showing acquisition, use and disposition of each tangible capital asset or group of assets.

625 Purchased Computer Software Licenses

Purchased computer software of more than $1,000 is amortized by the straight-line method over the period expected to be benefited, which is generally five to eight years.

626 Leases, Accounting for

A. Grantees will observe rules regarding an operating lease versus a capital lease, contained in Statement on Financial Accounting Standard (SFAS) No. 13. If, according to SFAS 13, it is determined that a capital lease exists, a share of such lease payment will be capitalized and amortized over the life of the lease or the useful life of the asset, whichever is longer.

627 Lease Abatements

Lease payments will be reflected at the actual rate of cash payment.

628 Compensated Personal Absences (Paid Time Off, PTO), Accounting for

In conformance with Statement of Financial Accounting Standard No. 43, the cost of earned, but untaken Paid Time Off will be accrued when earned, not when taken.

629 Deferred Compensation

The cost of deferred compensation will be assigned to the cost accounting period in which the organization incurs an obligation to compensate the employee. In the event no obligation is incurred prior to payment, the cost of deferred compensation will be the amount actually paid and will be assigned to the cost accounting period in which the payment is paid. The measurement of the amount of the cost of deferred compensation should be the present value of the future benefits to be paid.

630 Purchased Labor

A. The cost of all purchased or temporary labor incurred specifically for a grant, bid and proposal, independent research and development, or other final cost objective will be treated as a direct cost.

B. All purchased or temporary labor benefiting more than one grant will be treated as an indirect cost or allocated proportionately among benefiting grants.

631 Insurance

A. The organization will obtain adequate insurance coverage from purchased insurance.

B. The organization will maintain records to substantiate the amounts of premiums, refunds, dividends, losses and self-insurance charges, paid or accrued.

632 Interest Expense Accruals

An interest accrual shall be reflected annually for all outstanding debt.

633 Match, Accounting for

Given the level and composition of program match bid for each program or grant, the accounting system will accumulate and report related costs, distinguishing between organization-paid, donated services, space or equipment, program income authorized to be treated as match, and any un-reimbursed indirect costs. Suitable documentation will be maintained for all accumulated match.

700 PROPERTY MANAGEMENT POLICIES

701 Government-Furnished and Organization-Acquired Property Equipment and Material

A. Title to government-furnished and grantee-acquired property and equipment acquired as a direct cost on a cost reimbursement government grant and for the duration of a firm fixed price grant, will reside in the U.S. government and will not be recognized as an asset of the organization.

B. The organization will maintain detailed records of all government-furnished property and grantee-acquired equipment on government grants, segregate such property and equipment, ensure its maintenance and disposal, not use it on any commercial activities and exclude it from its insurance coverage.

702 Government Property, Receipts for

A. Upon request, the organization will furnish receipts for government property. The organization will also maintain proof of receipt for grantee-acquired property before submitting its request for payment for the property.

703 Property Management, other Policies

A. On an annual basis, a physical inspection and inventory will be taken of all organization fixed assets and reconciled to the general ledger balances. Adjustments for dispositions will be made.

B. The Finance Manager is to be informed, in writing, via an interoffice memorandum of any material changes in the status of property and equipment. This should include changes in location, sale of, scrapping of and/or obsolescence of items and any purchase or sale of real estate.

704 Disposal of Property, Plant and Equipment

A. No item of property, plant and equipment shall be removed from the premises without prior approval from the responsible official.

B. When property is sold or retired, the appropriate asset and accumulated depreciation accounts and asset accountability records shall be adjusted and any profit or loss reflected.

705 Fully-Depreciated Assets

Records of fully depreciated assets shall be maintained as long as the property is in continuous use.

800 COMPENSATION POLICIES

801 Personnel File Policies

A. The Executive Director is charged with the responsibility of maintaining personnel files on staff persons in a locking file cabinet.

B. Each personnel file should contain the following information, at a minimum.

1. Employment application or resume
2. Date of employment
3. Position, pay rates and changes therein
4. Employee Evaluations, including self-evaluations
5. Earnings records for non-active employees
6. Employee goal-setting documentation, when applicable
7. Termination data, when applicable
8. Pre-hire interview documentation, when applicable

802 Payroll File Policies

A. The Finance Manager will maintain the payroll files in a locking file cabinet.

B. The payroll files should contain the following information at a minimum:

1. Rate of pay and hire date
2. Authorized payroll deductions, including direct deposit authorization
3. W-4 Form, withholding authorization
4. I-9 Immigration Form
5. Approved timesheets and corresponding check vouchers

803 Payroll Preparation and Timekeeping

A. The Finance Manager is responsible for payroll, in accordance with the established personnel policies of the organization.

B. Timesheets are submitted to the Executive Director for approval no later than the 26th of each month, unless other arrangements are made on a specific basis. The Executive Director files timesheets with the Finance Manager so that payroll may be processed.

C. Timesheets are to include specific time spent on each grant/project.

D. Timesheets are to be signed by the staff person and his/her supervisor only after the timesheet has been completed.

E. All approved timesheets will be submitted to the Finance Manager, who will verify the calculation of hours worked.

F. The Finance Manager will process the time sheet. The information reported should include:

1. Hours worked, by grant or cost center

2. Changes in pay rates or employment status

3. Vacation, sick or personal hours used and earned

G. Most pay is distributed through the use of Direct Deposit. Any hard copy paychecks will be distributed by the Executive Director. In the event that a hard copy paycheck is picked up by a designated person other than the staff person, a memo should be received in writing from the staff person and proper identification should be requested from the party picking up the paycheck.

H. Payroll records will be reviewed by the Board Treasurer on an annual basis.

804 Salary Advances

No salary advances will be made under any circumstances.

805 Use of Informal Records

Managers and executives are authorized to keep track of their time charges using informal records (i.e., a "Daytimer" or desk calendar) of the summarized weekly versus maintaining a daily timesheet.

806 Timely Submission of Timesheets and Penalties

Until an accurate and complete timesheet is submitted to the payroll unit, an employee will not be paid nor receive any salary advance.

807 Fair Labor Standards Act Record Retention

For all employees, the organization will retain the following records for at least three (3) years: employee name, home address, occupation, sex and hours and days of work.

808 Federal Minimum Wage, Compliance With

It is the policy of the organization to establish pay rates, which equal or surpass the federal minimum wage.

809 Consultant Utilization, Evidence for

Whether used in a direct or an indirect capacity, the utilization of all consultants, grant personnel and consulting firms will be sufficiently evidenced with:

A. Details of all agreements (e.g., work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing the services and details of actual services performed

B. Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services performed, and

C. Consultant's work products and related documents, such as trip reports indicating persons visited and subjects discussed, minutes of meetings, and collateral memoranda and reports.

810 Independent Contractors, Control of

The use of consultants will be closely monitored so as not to vary from the rules of the Internal Revenue Service. In particular, consultants will:

A. Not be controlled as to what services will be performed and how these services will be performed. Consultants will not have set hours of work.

B. Furnish their own tools of trade -- tools, materials, and the like -- in performing their work

C. Adhere to a precise contract scope of services, recompeted or at least adjusted annually. This consultant agreement should specify the obligation of the consultant to pay his or her own self-employment taxes, if applicable.

D. Not receive any fringe benefits as such, although their fee may include provision for fringe benefits

E. Not be assigned a permanent work station

F. Make their services available or work for a number of firms or persons at the same time

G. Will use his or her own stationery or timesheet in billing for services.

811 PTO and Unemployment Cash Pool

A separate liability account within the accounting system will be maintained to cover PTO payouts and possible payouts of unemployment benefits.

900 PURCHASING POLICIES

901 Policies and Objectives

A. It is the policy of the organization to procure only those items that are required to perform the mission and/or fill a bona fide need. Procurements will be made with complete impartiality based strictly on the merits of supplier proposals and applicable related considerations such as delivery, quantity, etc.

B. It is the policy of the organization to follow competitive practices only for annual purchases over $5,000. The competitive practices are outlined below in section 903.

C. It is the policy of the organization to keep on file a Contracted Services Agreement with any contractor to be paid more than $1,000 on a per contract basis.

902 Standards of Conduct

A. Business will be conducted ethically, in a manner above reproach.

B. Organization employees will not solicit or accept, directly or indirectly, any gift, favor, entertainment, loan or anything of monetary value, from anyone maintaining a business connection with the organization. Violations to the aforementioned will be grounds for disciplinary action.

C. The Executive Director will avoid any action or circumstances that might compromise the organization's acquisition process and will assure that their conduct at all times is in a manner that maintains trust and confidence in the integrity of the procurement process.

D. Maintaining the integrity of the procurement process is of paramount importance; therefore, any person disseminating procurement information to persons who do not have a bona fide need to know, within or outside of the organization, are in violation of this trust and subject to dismissal.

903 Responsibilities of the organization:

A. The organization will follow the following procedures for annual purchases over $5,000:

1. If appropriate, select a number of qualified suppliers, sufficient for meeting the competition criteria.

2. Prepare the solicitation, including selection/award criteria, and select the contract type.

3. Provide adequate time for obtaining quotations, generally 10-14 working days.

4. If appropriate, receive proposals/quotations and safeguard them until the opening date.

5. Evaluate proposals.

6. Assure that funds are budgeted and available by the Finance Manager and that available funds will not be exceeded.

7. Document all negotiations/discussions and phone calls.

8. Review invoices for correctness against the provisions of the subcontract and the delivery slip.

9. Administer, modify, or terminate subcontracts as necessary.

B. The organization will follow the following procedures when making any purchase over $1,500:

1. Prepare a purchase order.

2. Staff other than the Executive Director must obtain approval of the purchase order by the Executive Director.

3. The Executive Director must obtain approval of the purchase order by the designated board member.

3. Attach the completed and approved purchase order to the invoice and/or accounts payable package to be filed.

C. The organization will follow the following procedures for annual purchases requested by those other than the Executive Director under $1,500:

1. To Prompt a Purchase:

a. Check requests are sent to the Executive Director for payment.

b. In the absence of backup materials, receipts for the purchase must be provided to the Finance Manager for attachment to the check request within two weeks from the check date.

c. When a receipt is unavailable the Executive Director or responsible employee documents with a letter a describing the purchase.

2. Credit Card Purchases:

a. Only the Executive Director carries a corporate credit card. The purchase of airline tickets and other authorized business expenditures may be made by other employees or board members using the corporate credit card. In every case of credit card usage, the individual charging an organization account will be held personally responsible in the event that the charge is deemed personal or unauthorized.

b. Authorized uses of the credit card include:

   1. Airline or rail tickets (at coach class or lower rates) for properly authorized business trips. A travel agency will provide the organization with a monthly report of all travel charged.

   2. Lodging, mileage and meal charges that do not exceed the authorized reimbursement rate for persons traveling on official organization business.

   3. Car rental charges for properly authorized business trips.

   4. Properly authorized expenditures for which a credit card is the only allowed method of payment (such as monthly internet access).

   5. Business telephone calls. Each program will use a preauthorized phone card for business related phone calls.

   6. Properly authorized entertainment.

   7. Properly authorized supplies.

c. Receipts should be compiled and submitted on a weekly basis.

d. Unauthorized use of the credit card includes:

   1. Personal or non-business expenditures of any kind.

   2. Expenditures that have not been properly authorized.

   3. Meals, entertainment, gifts or other expenditures that are prohibited by:

      a. Organization budget and/or policies

      b. Federal, state, or local laws or regulations

      c. Grant conditions or policies of the entities from which the organization receives funds.

3. Proper Documentation for all Purchases, including Credit Card Purchases:

   a. Every instance of credit card or other purchase use must be documented with travel justification, receipts, individuals paid for, nature of business, etc. before the expense will be considered authorized and approved for reimbursement. A list of further documentation requirements are listed below:

      1. Lodging - Provide an itemized receipt from the hotel detailing every charge and the name of the person(s) for whom lodging was provided.

      2. Meals/Entertainment - Provide a receipt showing separately the cost for food/beverage and gratuities, and including the names of every person for whom food or beverage was provided and the specific business purpose which was furthered by the expenditure.

      3. Other Expenditures - A receipt from the vendor detailing every individual good or service purchased (including class of service for commercial transportation) accompanied by an explanation of the specific business purpose that was furthered by each expenditure.

904 Responsibilities of Other Organizational Elements

A. All organizational elements of the organization will be aware that the organization is by no means always interested in the "best available item." Basic to the Request for Proposal/Quotation (RFP/RFQ) and award are the actual minimum needs of the requester. Stated another way, the specifications must describe what is required, not what is desired.

905 Bid/Quote Requirements

A. All bids, including phone quotes, must be recorded and kept on file.

B. All bids of $5,000 or more must be:

   1. Complete and submitted on company letterhead

   2. Signed by the company representative

   3. Dated

   4. Submitted prior to the bid date.

C. Bidders are to quote items exactly as specified. Alternatives are to be clearly noted and bid as separate items. In the event that a lower cost item is bid than the one specified, it is the responsibility of the bidder to prove that the alternative bid meets all the specifications originally set forth in the bid document.

906 Award

A. After evaluating the offers, award will be made to the lowest responsible offeror or to the offeror with the most advantageous solution to fulfill the needs of the organization, price and other factors considered.

B. All or None of the Qualifications

Unless the solicitation so states, an offer will not be rendered unacceptable by the fact that the vendor specifies that award will be accepted only on all, or a specified group, of the items included in the solicitation.

C. Equal Low Offers

If, after evaluation, two or more offers remain equal in all respects, award will be made by drawing lots, which will be supervised by the Executive Director and witnessed by another organization manager. The names and titles of the witnesses will be annotated.

1000 TRAVEL POLICIES

1001 Mode of Transportation

A. The mode of transportation selected for travel must take into consideration:

1. The total cost to the organization including per diem, overtime, lost work time, actual transportation cost, total distance of travel, number of points visited, the number of travelers, and energy conservation.

2. Travel by common carrier (air, rail, bus) is considered the most advantageous method to travel. Other methods of transportation may be advantageous only when the use of common carrier transportation would interfere with the performance of business or impose an undue hardship upon the traveler, or when the total cost by common carrier exceeds the cost by another method of transportation.

1002 Business Class Travel

With the exception of accommodating travelers with a disability or special need or on an emergency basis, the organization does not authorize airline travel at any class of service above coach class.

1004 Travel and Expense Report Guidelines

It is the desire of the organization to provide reasonably consistent and fair treatment of all employees on business related travel. However, employees are expected to use discretion and good judgment in all matters concerning travel and business expenses. Business expenses are monies actually spent on behalf of the organization that are reasonable under the circumstances and are necessary and incidental to the accomplishment of the organizational business involved.

All travel must be approved in advance. If a staff member needs a travel advance for approved travel, a formal travel request should be submitted at least 1 week before the advance is required. Reporting of business related travel expenses should be on the organization's Travel Expense Report, and should be submitted to the Finance Manager within one week of returning. The expense report is self-explanatory and provides space for itemizing in detail most expenses.

All available receipts, including lodging, air, bus, train, must be attached to the expense report. No receipts are required for mileage and per diem.

For 2013, mileage will be reimbursed up to the Standard Mileage Rate of $.565/mile as approved by the Internal Revenue Service.

The following table outlines the time frames and reimbursement rates for meal per diem:

Meals	Time Frame	In State	Out of State
Morning	12:01am-10:00am	$5.00	$7.00
Mid-day	10:01am-3:00pm	$6.00	$11.00
Evening	3:01pm-12:00am	$12.00	$18.00
Full Daily Allowance		$23.00	$36.00

Breakfast will be allowed on the day of travel, only if the employee must leave their home before 7:00 a.m. Dinner will also be an allowable expense on the day of travel, if the employee cannot arrive home before 7:00 p.m., and dinner has not been provided as part of travel fare. Meals provided by air-carrier, conference fee, etc. must be deducted from employee's per diem. No receipts need be attached to expense report for meals.

Combined business and personal travel must have the prior approval of the Executive Director. Personal travel costs over and above the ordinary business costs must be borne by the employee. This would include additional costs resulting from spouse and/or family traveling with employee.

Reasonable laundry and valet/maid service expenses are allowable only when the employee is on a trip lasting more than 1 week.

<u>Charges not allowable</u> as business expenses would be items such as airline accident insurance, unauthorized dues or charges for associations, societies or private social clubs, traffic and court fines resulting from actions of the employee and alcoholic beverages. Personal expenses such as house sitting, snow shoveling, sidewalks, lawn care, pet care, and childcare are NOT allowed expenses.

Reasonable personal phone calls will be reimbursed. Please keep these calls to a minimum.

Entertainment Costs: All entertainment/meeting costs must be approved in advance by the Executive Director by using the organization’s Hospitality Approval Form.

Any unauthorized expense will be deducted from employees’ expense report.

All original receipts with the exception of meal and tips must be included with expense report.

1005 Receipts for Travel Expenses

In accordance with rules promulgated by the Internal Revenue Service, all employees required to account for their actual travel expenditures are required to have sufficient documentation to establish the amount, date, place and essential character of travel expenditures. This excludes allowable per diem for meals as no receipts are required.

1006 Lodging with Friend(s) or Relative(s)

A. Employees may be reimbursed for additional, reasonable costs the host incurs in accommodating them only if they are able to substantiate the costs.

B. A traveler using a friend or relative's lodging will not be reimbursed the cost of comparable conventional lodging in the area or at a flat amount.

1007 Expense Advances

A. The organization will make an expense advance, upon employee request, of a reasonable amount, but all advances must be approved by the Executive Director and accounted for within one week of returning.

1008 Allocation of the Cost of Multiple Purpose Trips

A. The cost of multiple purpose trips will be allocated in proportion to the actual time spent during normal business hours on each such activity.

B. Unless adequately justified, the allocation of travel cost spent by the traveler should closely conform to the time spent by the traveler on each such activity.