

**SOUTHERN OREGON CHILD
& FAMILY COUNCIL, INC.**

**Accounting & Financial
Policies and Procedures Manual**

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is November 1, 2015. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated parenthetically immediately following the policy heading.

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for Southern Oregon Child & Family Council, Inc., which shall be referred to as “SOCFC” or “the Organization” throughout this manual.

Southern Oregon Child & Family Council, Inc. is incorporated in the state of Oregon. SOCFC is exempt from federal income taxes under IRC Section 501(c)(3) as a public charity nonprofit corporation. SOCFC’s tax-exempt mission is:

Southern Oregon Head Start prepares children and their families for success in school and throughout life.

Children will enter school healthy, ready to learn, and with age-appropriate skills by participating in Southern Oregon Head Start and Early Head Start (SOHS). SOHS will support family well-being and nurturing relationships between children and parents, and will encourage lifelong learning for both children and parents. SOHS will be recognized as the leader in our community in providing high-quality services for children age birth to five years. Our employees will be highly competent, well-qualified, competitively compensated, and dedicated to the work they do. SOHS will be well-managed to maintain high quality services.

This manual shall document the financial operations of the Organization. Its primary purpose is to formalize accounting policies and selected procedures for all staff who have a role in accounting processes and to document internal controls.

If a particular grant or award has provisions that are more restrictive than those in this manual, the more restrictive provisions will be followed only for that grant or award.

The contents of this manual were approved as official policy of the Organization by the Board of Directors, Policy Council, Executive Director, and Finance Director. All SOCFC staff members are bound by the policies herein, and any deviation from established policy is prohibited.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

SOCFC is governed by its Board of Directors, which is responsible for the oversight of the Organization by:

1. Planning for the future.
2. Establishing broad policies, including financial and personnel policies and procedures.
3. Approving grant applications.
4. Reviewing and approving the annual audit.
5. Reviewing financial information.
6. Identifying and proactively dealing with emerging issues.
7. Interpreting the Organization's mission to the public.
8. Soliciting prospective contributors.
9. Hiring, evaluating, and working with the Executive Director.
10. Establishing and maintaining programs and systems designed to ensure compliance with terms of contracts and grants.
11. Authorizing establishment of all bank accounts and check signers.

The Executive Director shall be responsible for the day-to-day oversight and management of SOCFC.

Board of Directors Committee Structure

The Board of Directors shall form committees to assist the board in fulfilling its responsibilities. These committees are responsible for the review of particular programs and providing recommendations to the full board. Standing board-level committees of SOCFC consist of the following:

1. Board Executive Committee
2. Budget Committee
3. Personnel Committee
4. Community Assessment Committee
5. Program Planning Committee
6. Facilities Committee
7. Investment Committee
8. Listo Advisory Committee
9. Early Childhood Committee
10. Health Services Advisory Committee

See the Organization's bylaws for board and committee details. However, roles of committees with direct responsibilities for the financial affairs of the Organization are further described in this manual. These committees shall be referred to in appropriate sections of this manual.

Budget Committee Responsibilities

The Budget Committee is responsible for direction and oversight regarding the overall financial management of SOCFC. Functions of the Budget Committee include:

1. Review and recommendation of the Organization's annual budget (prepared by the staff) for final approval by the full Board and Policy Council.
2. Long-term financial planning.
3. Monitoring of actual vs. budgeted financial performance.
4. Oversight of reserve funds.
5. Review of financial procedures.

The review of the Organization's financial statements shall not be limited to the Budget Committee, but shall involve the entire Board of Directors.

Facilities Committee Responsibilities

The Facilities Committee is responsible for evaluation of facilities (i.e. leasing, purchasing property, major renovations) decisions and making recommendations for final approval by the full Board and Policy Council. In addition, the Facilities Committee reviews minor remodeling projects and improvements in owned and leased facilities.

Investment Committee Responsibilities

The Investment Committee is responsible for establishing investment policy for final approval by the full Board of Directors and for monitoring investment performance and making reports to the full Board. In addition, the Investment Committee is responsible for review of the Organization's Retirement Plan and making recommendations for any needed changes for final approval by the full Board of Directors.

Board Executive Committee Audit Responsibilities

The Board Executive Committee recommends an independent CPA firm to the full Board for its approval. The Board Executive Committee communicates directly with the CPA firm for an annual audit, as described in the Organization's bylaws. The full Board shall review and approve the final audited financial statements and any other communications received from the auditor regarding internal controls, illegal acts, or fraud.

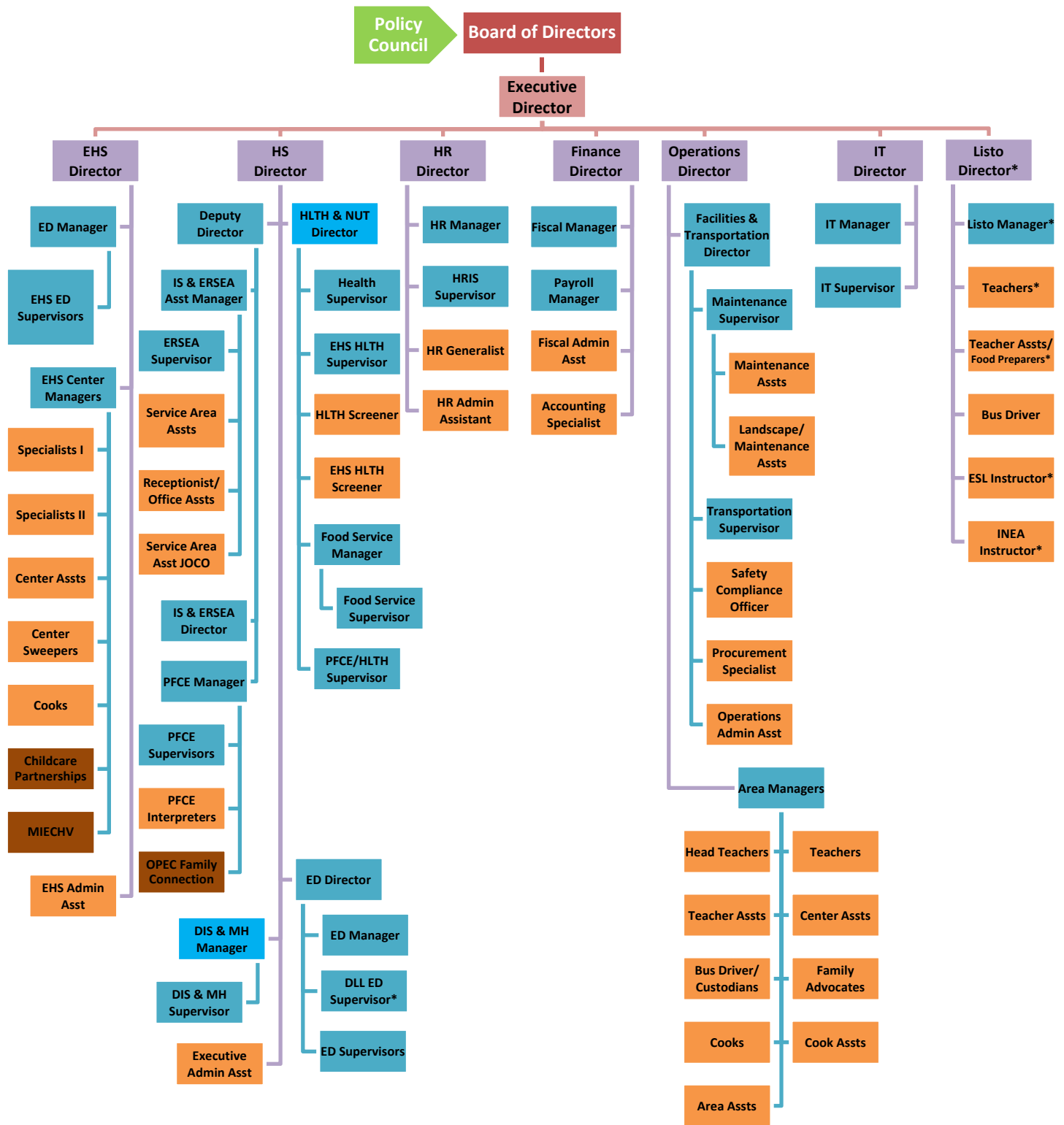
The Board Executive Committee also serves as the primary point of contact for any employee who suspects that fraud has been committed against the Organization or by one of its employees or Board members.

The Board Executive Committee's role in the annual audit is more fully explained in the section of this manual covering the annual audit.

The Roles of the Executive Director and Staff

The Board of Directors hires the Executive Director, who reports directly to the Board. The Executive Director is responsible for hiring and evaluating Agency/Program Directors, including the Head Start, Early Head Start, Finance, Human Resources, Operations, and IT Directors. Each Agency/Program Director reports to the Executive Director.

Agency/Program Directors are responsible for hiring the managers/employees to work in that department. All employees within a department shall report directly or indirectly to that department's Director, who shall be responsible for managing and evaluating or reviewing the evaluations of all employees within the department. Please see the Organization Chart which follows:



FISCAL (ACCOUNTING) DEPARTMENT OVERVIEW

Organization Structure

The Fiscal Department consists of five (5) staff members who manage and process financial information for SOCFC. The following positions comprise the accounting department:

- Finance Director
- Fiscal Manager
- Payroll Manager
- Accounting Specialist
- Fiscal Administrative Assistant

Other officers and employees of SOCFC who have financial responsibilities are as follows:

- Executive Director
- Agency/Program Directors
- Department/Content Directors
- Department/Area Managers
- Human Resources Department
- Operations (Purchasing) Department
- Treasurer – Board level
- Budget Committee – Board level
- Facilities Committee – Board level
- Executive Committee – Board level
- Retirement Investment Committee – Board level
- Full Board of Directors

Department Responsibilities

The primary responsibilities of the Fiscal department consist of:

- General ledger
- Budgeting
- Cash and investment management
- Asset management (jointly with Operations department)
- Grants and contracts administration
- Purchasing (jointly with Operations department)
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll
- Payroll Benefits (jointly with Human Resources department)
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit

- Leases (jointly with Operations department)
- Insurance (jointly with Operations department)

Standards for Financial Management Systems

In accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, SOCFC maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identification, in all its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
2. Accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of 2 CFR Parts 200.327, Financial Reporting, and 200.328, Monitoring and Reporting Program Performance, and/or the award.
3. Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be fully supported by source documentation.
4. Effective control over and accountability for all funds, property, and other assets. SOCFC must adequately safeguard all such assets and ensure they are used solely for authorized purposes.
5. Comparison of outlays with budget amounts for each award.
6. Information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources. (*2 CFR Part 301, Performance Measurement*)
7. Written procedures to minimize the time elapsing between the transfer of funds and disbursement by SOCFC. Advance Payments must be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. (*2 CFR Part 200.305 Payment*)
8. Written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions 2 CFR Part 200 Subpart E, Cost Principles, and the terms and conditions of the award.

BUSINESS CONDUCT

Practice of Ethical Behavior

SOCFC requires board members, committee members, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities, and all directors, committee members, and employees to comply with all applicable laws and regulatory requirements. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of SOCFC depend to a very large extent on the following considerations.

Each employee must apply her or his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with SOCFC policy?
4. Am I sure my action does not 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?
7. Am I sure that my action meets the Organization's Standards of Conduct?
8. Would I feel comfortable defending my actions on the "6 o'clock news."

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

Each director, manager, and supervisor is responsible for the ethical business behavior of her or his subordinates. Directors, managers, and supervisors must carefully weigh all courses of action suggested in ethical, as well as economic, terms and base their final decisions on the guidelines provided by this policy, as well as their personal sense of right and wrong.

Compliance with Laws, Regulations, and Organization Policies

SOCFC does not tolerate:

- The willful violation or circumvention of any federal, state, local, or foreign law by an employee during the course of that person's employment.
- The disregard or circumvention of SOCFC policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

CONFLICTS OF INTEREST

Introduction

In the course of business, situations may arise in which an Organization decision maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest.

All directors and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Organization in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the Human Resources Director.
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

What Constitutes a Conflict of Interest

All employees and directors of SOCFB owe a duty of loyalty to the Organization. This duty necessitates that in serving the Organization they act solely in the interests of the Organization, not in their personal interests or in the interests of others.

The persons covered under this policy shall hereinafter be referred to as “interested persons.” Interested persons include all members of the Board of Directors and all employees, as well as persons with the following relationships to directors or employees:

1. Spouses or domestic partners
2. Brothers and sisters
3. Parents, children, grandchildren, and great-grandchildren
4. Spouses or domestic partners of individuals listed in 2 and 3
5. Corporations, partnerships, limited liability companies (LLCs), and other forms of businesses in which an employee or director, either individually or in combination with individuals listed in 1, 2, 3, or 4, collectively possess any ownership or beneficial interest.

Conflicts of interest arise when the interests of an interested party may be seen as competing with those of the Organization. Conflicts of interest may be financial (where an interested party benefits financially, directly or indirectly) or non-financial (e.g., seeking preferential treatment, using confidential information).

A conflict of interest arises when a director or employee involved in making a decision is in the position to benefit, directly or indirectly, from his or her dealings with the Organization or person conducting business with the Organization. (A potential conflict of interest exists when the director or employee, or his or her immediate family (spouse or domestic partner, parent, child, brother, sister and spouse of parent, child, brother, or sister) owes/receives any of the benefiting business/profits.)

Examples of conflicts of interest include, but are not limited to, situations in which a director or employee:

1. Negotiates or approves a contract, purchase, or lease on behalf of the Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services.

2. Negotiates or approves a contract, sale, or lease on behalf of the Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services.
3. Employs or approves the employment of, or supervises a person who is an immediate family member of the director or employee.
4. Sells products or services in competition with the Organization.
5. Uses the Organization's facilities, other assets, employees, or other resources for personal gain.
6. Receives a substantial gift from a vendor, if the director or employee is responsible for initiating or approving purchases from that vendor.

Disclosure Requirements

A director or employee who believes that he or she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

Therefore, SOCFC requires the following:

1. At the inception of employment or volunteer service to the Organization, and on an annual basis thereafter, the human resources department will distribute a copy of the conflict of interest disclosure statement to all members of the Board of Directors, the Executive Director, members of senior management, and employees with purchasing and/or hiring responsibilities or authority. Using the prescribed form, these individuals shall inform, in writing and with a signature, the Human Resources Director, of any and all potential reportable conflicts.
2. During the year, these individuals shall submit a signed, updated disclosure form if any new potential conflict arises.
3. The Human Resources Director shall review all forms completed by employees, and the Executive Director shall review all forms completed by Board of Directors and determine appropriate resolution in accordance with the next section of this policy.
4. Prior to management, board, or committee action on a contract or transaction involving a conflict of interest, a staff, director, or committee member having a conflict of interest and who is in attendance at the meeting shall disclose all facts material to the conflict of interest. Such disclosure shall be reflected in the minutes of the meeting.
5. A staff, director, or committee member who plans not to attend a meeting at which he or she has a reason to believe that the management, board, or committee will act on a matter in which the person has a conflict of interest shall disclose to the chair of the meeting all facts material to the conflict of interest. The chair shall report the disclosure at the meeting and the disclosure shall be reflected in the minutes of the meeting.
6. A person who has a conflict of interest shall not participate in or be permitted to hear management's, the Board's, or the committee's discussion of the matter except to disclose material facts and to respond to questions. Such person shall not attempt to exert his or her personal influence with respect to the matter.
7. A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting shall not be counted in determining a quorum for purposes of the vote. The person having a conflict of interest may not vote on the contract or transaction and shall not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote and abstention from voting shall be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of SOCFC has a conflict of interest when he or she stands for election as an officer or for re-election as a member of the Board of Directors.
8. If required by Federal awarding agencies, SOCFC will notify those agencies in writing of any *potential* conflict of interest. (2 CFR Part 200.112, *Conflict of Interest*)

Resolution of Conflicts of Interest

All real or apparent conflicts of interest shall be disclosed to the Human Resources and the Executive Director of the Organization. Conflicts shall be resolved as follows:

- The Board Executive Committee shall be responsible for making all decisions concerning resolutions of conflicts involving directors, the Executive Director, and other members of senior management.
- The Executive Director and Human Resources Director shall be responsible for making all decisions concerning resolutions of conflicts involving Board Executive Committee Chair.
- The Board Chair shall be responsible for making all decisions concerning resolutions of conflicts involving other Board Executive Committee members.
- The Human Resources Director shall be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Board Executive Committee.

An employee or director may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal by a Director must be directed to the Board Chair.
- An appeal by management staff must be directed to the Executive Director.
- An appeal by non-management staff must follow the union grievance process detailed in the Collective Bargaining Agreement.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal shall be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the board.

Disciplinary Action for Violations of This Policy

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Organization or to the government, for any loss 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 policy will be afforded an opportunity to explain her or his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy.
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy.
3. Against any director, manager, or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

A Board member who violates this policy will be removed from the Board.

POLICY ON SUSPECTED MISCONDUCT

Introduction

This policy communicates the actions to be taken for suspected misconduct committed, encountered, or observed by employees and volunteers.

Like all organizations, SOCFC faces many risks associated with fraud, abuse, and other forms of misconduct. The impact of these acts, collectively referred to as misconduct throughout this policy, may include, but not be limited to:

- Financial losses and liabilities.
- Loss of current and future revenue and clients.
- Negative publicity and damage to the Organization's good public image.
- Loss of employees and difficulty in attracting new personnel.
- Deterioration of employee morale.
- Harm to relationships with clients, vendors, bankers, and subcontractors.
- Litigation and related costs of investigations, etc.

Our Organization is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee and volunteer at all levels of the Organization.

Definitions

For purposes of this policy, misconduct includes, but is not limited to:

1. Actions that violate the Organization's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual.
2. Fraud (see below).
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records).
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the federal government or by the Organization in connection with this policy.
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the Organization.
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel, or other resources.
7. Acts that violate federal, state, or local laws or regulations.
8. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to SOCFC. Exception: gifts valued at \$25 or less.
9. Impropriety of the handling or reporting of money in financial transactions.
10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

Fraud is further defined to include, but not be limited to:

- Theft, embezzlement, or other misappropriation of assets (including assets of or intended for the Organization, as well as those of our clients, subcontractors, vendors, contractors, suppliers, and others with whom the Organization has a business relationship).

- Intentional misstatements in the Organization's records, including intentional misstatements of accounting records or financial statements.
- Authorizing or receiving payment for goods not received or services not performed.
- Authorizing or receiving payments for hours not worked. (Exception: overpayment due to administrative error, which is subject to BOLI regulations.)
- Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports.

SOCFC prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers, and others responsible for carrying out the Organization's activities.

Reporting Responsibilities

All employees, officers, and volunteers are responsible for immediately reporting suspected misconduct to their supervisor, manager, the Finance Director, the HR Director, the Executive Director, or the Chair of the Board of Directors. When supervisors have received a report of suspected misconduct, they must immediately report such acts to their manager, the Operations Director, the Executive Director, or the Chair of the Board of Directors.

Whistleblower Protection

The Organization will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with this policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a federal offense or any other possible violation of the Organization's Code of Conduct.

Investigative Responsibilities

Due to the sensitive nature of suspected misconduct, supervisors and managers should not, under any circumstances, perform any investigative procedures.

The Operations Director, Human Resources Director, or Finance Director (depending on area of misconduct) has the primary responsibility for investigating suspected misconduct involving employees below the executive management level. The responsible Director shall provide a summary of all investigative work to the Executive Director and/or the Board Executive Committee.

The Board Executive Committee has the primary responsibility for investigating suspected misconduct involving the Executive Director and executive level positions, as well as board members and officers. However, the Board Executive Committee may request the assistance of the Agency/Program Directors in any such investigation.

Investigation into suspected misconduct will be performed without regard to the suspected individual's position, length of service, or relationship with the Organization.

In fulfilling its investigative responsibilities, the Board Executive Committee shall have the authority to seek the advice and/or contract for the services of outside firms, including but not limited to law firms, CPA firms, forensic accountants and investigators, etc.

Members of the investigative team (as authorized by the Board Executive Committee) shall have free and unrestricted access to all Organization records and premises, whether owned or rented, at all times. They shall also have the authority to examine, copy, and remove all or any portion of the contents (in paper or electronic form) of filing cabinets, storage facilities, desks, credenzas and computers without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of an investigation into suspected misconduct or related follow-up procedures.

The existence, the status, or results of investigations into suspected misconduct shall not be disclosed or discussed with any individual other than those with a legitimate need to know in order to perform their duties and fulfill their responsibilities effectively.

Protection of Records – Federal Matters

SOCFC prohibits the knowing destruction, alteration, mutilation, or concealment of any record, document, or tangible object with the intent to obstruct or influence the investigation or proper administration of any matter within the jurisdiction of any department or agency of the United States government, or in relation to or contemplation of any such matter or case.

Violations of this policy will be considered violations of the Organization's Code of Ethics and subject to the investigative, reporting, and disclosure procedures described earlier in this Policy on Suspected Misconduct.

Disciplinary Action

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. Disciplinary action shall be coordinated with appropriate representatives from the Human Resources Department. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

- Reprimand
- Probation
- Suspension
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

This listing of possible disciplinary actions is for information purposes only and does not bind the Organization to follow any particular policy or procedure.

Confidentiality

The Board Executive Committee and the Directors shall treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Executive Director or the Board Executive Committee Chair immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act (see **Reporting Procedures** section above).

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect SOCFC from potential civil liability.

An employee who discovers or suspects fraudulent activity may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Executive Director, Executive Committee Chair or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference. All media contacts shall be directed to the Executive Director or the Board Chair.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the SOCFC legal counsel or the Executive Committee of the Board.
3. If approached or questioned by law enforcement or the media, direct such inquiries to and report such contact to the Executive Director or Board Chair.

Disclosure to Outside Parties

Allegations of and information related to allegations of suspected misconduct shall not be disclosed to third parties except under the provisions described in this policy (such as disclosure to outside investigators hired by the Organization to aid in an investigation).

However, all known frauds involving the Executive Director, senior management, or members of the Board of Directors, as well as all material frauds involving employees below the senior management level, shall be disclosed by the Executive Committee to the Organization's external auditors.

The Organization will disclose, in a timely manner, in writing to Federal awarding agencies all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. (*2 CFR Part 200.113 Mandatory disclosures*)

SECURITY

Fiscal Department

A lock will be maintained on the door leading into the SOCFC Fiscal Department. This door shall be closed and locked in the evenings and whenever the Fiscal Department is vacant. The key to this lock will be provided to Fiscal Department staff and other personnel as approved by the Executive Director. The Main Office security pin will be deactivated whenever any of these individuals leaves the employment of SOCFC.

SOCFC's blank check stock shall be stored in a locked fireproof cabinet in the locked Fiscal Storage Room adjacent to the Fiscal Department. This cabinet will be locked with a key that is kept in the Fiscal Department. Access to this file cabinet shall be by keys in the possession of the Finance Director.

Petty cash is stored in a drawer locked with a key at individual sites. The Petty Cash Custodians will be the only employees with keys to the petty cash drawer.

Access to Electronically Stored Accounting Data

SOCFC utilizes passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system. Information technology staff members are restricted from accessing accounting software.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis. Administration of passwords shall be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties. On an annual basis, SOCFC performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

Storage of Backup Files

SOCFC maintains backup copies of electronic data files in order to provide disaster recovery and system restoration capabilities for critical organization data.

System and data files are backed up according to the following schedule:

1. Nightly backups include all production servers and data written to domain server.
2. Additional nightly backups of fiscal server and data by Fiscal Department staff written to USB pin drive.
3. Weekly backups include all Organization servers and data written to an external hard drive.

SOCFC backups written to hard drive, and Fiscal backups written to USB pin drive are then transferred off-site to a secure environment located in the home of IT or Fiscal personnel. All backed up data is secured during transmission or transport and storage.

A password is required for accessing the back up data. Access to backup files shall be limited to individuals authorized by management. The following staff members have access to password protected backup data:

1. Information Technology Manager/Supervisor (Organization data)
2. Information Technology Director (Organization data)
3. Finance Director, Fiscal Manager, Payroll Manager (Fiscal data)

Multiple rotating copies of backup media are required so as not to overwrite the most recent backup.

The Organization should have a regularly scheduled test of its capability to restore from backup media on an annual basis at a minimum. Tests should include the full restoration of system as well as data files. SOCFC will include this as part of its annual Disaster Recovery Plan update and testing.

Storage of Sensitive Data

In addition to accounting and financial data stored in the Fiscal Department, other sensitive data, including protected personally identifiable information (PII) defined as social security numbers of employees or clients, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical, and financial records, educational transcripts, etc. may be stored in areas other than the accounting department. Locations of sensitive data include, but are not limited to:

1. Other agency departments, such as in ERSEA, Human Resources, etc.
2. Electronic or on-line storage devices.

The Organization's policy is to minimize the storage of sensitive data outside the Fiscal Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Fiscal Department as soon as possible.

Therefore, the Organization:

1. Requires that all sensitive data that is stored in areas other than the Fiscal Department will be secured in locked filing cabinets that are placed in offices that are locked after hours.
2. The Organization requires that any staff members removing sensitive data from systems in an electronic format store and transport that data on a secured device. When completed with the use of the data, it shall be deleted from the secured device immediately.
3. The Organization prohibits the transmission of sensitive data via email, unless that email and any attached files are encrypted. The use of personal email for the transmission of sensitive data is prohibited.
4. The Organization restricts access to sensitive data to Organization confidential employees only (no temporary workers, contractors, or volunteers) and only to employees with a legitimate need

for such access. The Organization also requires employees to claim print jobs which contain sensitive information immediately upon printing.

Destruction of Consumer Information

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. SOCFC will also shred all consumer information obtained by the Organization for any reason. Shredding will be performed on a schedule determined by each department that possesses such data, and the schedule shall be made a part of the Record Retention policy (see the "Fiscal Management" policies section of this manual).

Main Office Security

During normal business hours, all visitors are required to check in with the receptionist. After hours, a security key and PIN is required for access to the Main Office Buildings of SOCFC. Keys and PINs are issued only to Main Office employees of SOCFC.

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

The purpose of this policy is to identify guidelines for the use of SOCFC technologies and communications systems. This policy establishes a minimum standard that must be upheld and enforced by users of the Organization's technologies and communications systems.

The term "user" as used in these policies refers to employees (whether full-time, part-time, or limited-term), independent contractors, consultants, and any other user having authorized access to, and using any of, the Organization's computers or electronic communications resources.

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand-alone computers, laptops, PDAs, printers, fax machines, phones, online services, email systems, bulletin board systems, blogs owned by staff members where the Organization is discussed, blog comments by staff members regarding the Organization, social networking sites (Facebook, MySpace, Twitter, etc.), and all software that is owned, licensed, or operated by SOCFC.

Acceptable Use of Organization Property

Use of the Organization's computers and electronic communications technologies is for program and business activities of SOCFC. These resources shall be used in an honest, ethical, and legal manner that conforms to applicable license agreements, contracts, and policies regarding their intended use. Although incidental and occasional personal use of the Organization's communications systems is permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented, or contained in the Organization's electronic systems are the intellectual property of SOCFC. The copying or use of the Organization's intellectual property for personal use or benefit during or after employment (or period of contract) with SOCFC is prohibited unless approved in advance by the Executive Director.

All SOCFC information, records, and data are subject to restrictions imposed by the Health Insurance Portability and Accounting Act of 1996 (HIPAA), the Gramm-Leach-Bliley Act of 1999, and the Sarbanes-Oxley Act of 2002, as well as all other data management restrictions resulting from local, state, federal, and international laws.

All hardware (laptops, computers, monitors, mice, keyboards, PDAs, printers, telephones, fax machines, etc.) issued by SOCFC is the property of the Organization and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the Information Technology Director.

Password Security

Passwords are the initial defense in the protection of SOCFC information from unauthorized access. Passwords on all SOCFC systems are subject to the following:

1. Users are responsible for safeguarding their login passwords. Passwords may not be shared, printed, or stored online.
2. Users should not leave their computers unattended without locking workstation.
3. If a user suspects that the secrecy of the user's password has been compromised, the user should report this to the Information Technology Director immediately and initiate a password change request.
4. Passwords should not be displayed or concealed in the employee's work area.
5. Accounting system passwords are maintained by the Finance Director, not the Information Technology Director.

Confidentiality

All information about individuals, families, or organizations served by SOCFC is confidential. No information may be shared with any person or organization outside SOCFC without the prior written approval of the individual, family, or organization and the Executive Director.

Email Communications

The Organization may communicate with its customers, vendors, and clients via email. Email is not a secure or private communication mechanism, nor should employees treat it that way. Sensitive or confidential information should not be sent via email over the Internet without password protection or encryption.

Employees should exercise care in the use of email and in the handling of email attachments. If an email is from someone you do not know, or if you were not expecting an attachment, do not open it; delete it. The user should contact the Information Technology Director for assistance if there are questions as to the validity of the message and attachment.

Antivirus Controls

The Organization maintains current antivirus controls on its computer systems. This includes servers and personal computers. The system will automatically download and distribute virus signature updates to all systems. The antivirus software is monitored by the Information Technology Director. Weekly file system scans of all systems are conducted automatically.

Users are prohibited from disabling or altering the configuration of the antivirus software. Users are also required to report any suspicious activity on their computers to the Information Technology Director. This activity includes, but is not limited to, cursor or mouse moving on its own, hard drive thrashing without user input, uncharacteristically slow performance, a change in behavior of the system, etc.

Disposal of Computer Equipment

SOCFC will run "file-shredding" software on all electronic media, including computer hard drives, prior to disposing of computer equipment. This software should perform low-level formatting or use a "wipe" utility that follows the Department of Defense (DoD) standard 5220.22. The software overwrites all

areas of the computer's hard drive in a manner that makes it impossible for subsequent users to retrieve any of the data on the hard drive. This procedure shall be performed by SOCFC's Information Technology Director.

In some cases, SOCFC may choose to render the information stored on the electronic media completely unreadable through the physical destruction of the media itself. This procedure shall be performed by SOCFC's Information Technology Director or a designee. This will result in the media being unable to be repurposed.

Copyrighted Information

Use of SOCFC electronic communication systems to copy, modify, or transmit documents, software, information or other materials protected by copyright, trademark, patent, or trade secrecy laws, without obtaining prior written permission from the owner of such rights in such materials, is prohibited.

Download/Installation of Software

The installation of new software without the prior approval of Information Technology Director is prohibited. If an employee desires to install any new programs, permission will first be obtained. Software should not be downloaded from the Internet. This is a common mechanism for the introduction of computer viruses. If Internet-based software is needed, the Information Technology Director should be contacted to perform the download and testing of the application prior to installation.

Other Prohibited Uses

Other prohibited uses of the Organization's communications systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, sexist, or that evidences religious bias or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, or age group.
2. Browsing, downloading, forwarding, and/or printing pornographic, profane, discriminatory, threatening, or otherwise offensive material from any source including, but not limited to, the Internet.
3. Engaging in any communication that is in violation of federal, state, or local laws.
4. Proselytizing or promoting religious beliefs or tenets.
5. Campaigning for or against any candidate for political office or any ballot proposal or issue.
6. Sending, forwarding, redistributing, or replying to chain letters.
7. Using unauthorized passwords to gain access to another user's information or communications on the Organization's systems or elsewhere.
8. Advertising, solicitation, or other commercial, non-programmatic use.
9. Knowingly introducing a computer virus into the communications systems or otherwise knowingly causing damage to the systems.

10. Using the systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, Internet gaming, installing unauthorized software, etc.
11. Excessive personal use of technologies that preempts any business activity or interferes with organizational productivity.
12. Sending email messages under an assumed name or obscuring the origin of an email message sent or received.

Disciplinary Action for Violations

SOCFC requires all users to adhere to this policy (reference Work Rule #4). Violations of this policy will result in disciplinary action that could include termination of employment or cancellation of contracts.

Reporting of Suspected Violations

Suspected violations of these policies should be immediately and confidentially reported to your immediate supervisor. If you prefer not to discuss it with your supervisor, you may contact the Executive Director or any member of the Executive Committee.

SOCFC reserves the right to install programs that monitor employee use of the Internet and electronic communications systems, and to act on any violations of these policies found through use of such programs. SOCFC further reserves the right to examine any and all electronic communications sent or received by employees via the Organization's electronic communications systems.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all asset, liability, net assets, revenue, and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports and financial statements.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system and the basis for SOCFC's accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

SOCFC'S chart of accounts is built on a table-driven structure. Accounting segments are:

1. Fund
2. General Ledger
3. Department
4. Revenue Source
5. Position
6. Location

The General Ledger segment is comprised of five types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues, including Gains/Losses
5. Expenses

Distribution of Chart of Accounts

All SOCFC employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts, or the section of the chart of accounts applicable to their program. As the chart of accounts is revised, an updated copy of the chart of accounts shall be promptly distributed to these individuals.

Control of Chart of Accounts

The Finance Director monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts must be approved by the

Finance Director, who ensures that the chart of accounts is consistent with the Organizational structure of SOCFC and meets the needs of each division and department.

Account Definitions

Fund

Account Range
0-250

Definition
SOCFC has four Funds for accounting purposes: General Operating Fund, SOHS Health Insurance Trust Fund, SOHS Retirement Plan & Trust, and Beverly Oliver Trust.

General Ledger

Account Range
1000–1999

Category
Assets

Definition
Assets are probable future economic benefits obtained or controlled by the Organization as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Organization and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.

Other assets include long-term assets acquired without intending disposal of these assets in the near future. Some examples are security deposits, property, and long-term investments.

2000–2999

Liabilities

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the noncurrent portion of a mortgage loan.

3000–3999

Net Assets

Net Assets is the difference between total assets and total liabilities.

Net Assets of the Organization shall be classified upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the Organization permanently maintain certain contributed assets. Generally, donors of such assets permit to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes.

4000–4999

Revenues, including Gains/Losses

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations. Revenues include grants received from government agencies, private foundations and corporations, and contributions received from donors.

Gains are increases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Organization except those that result from revenues.

Losses are decreases in net assets from peripheral or incidental transactions and from all other transactions and other events and circumstances affecting the Organization except those that result from expenses.

Gains or losses occur when SOCFB sells a fixed asset or writes off as worthless a fixed asset with remaining book value.

5000–9999

Expenses

Expenses are outflows or other activities using assets, or incurrence of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute SOCFC’s ongoing major or central operations.

Department

Account Range

100-999

Definition

Departments are distinct divisions within the Organization for accounting (budgeting) and programmatic purposes.

Revenue Source

Account Range

110100-99000

Definition

Revenue Sources are grants and contract revenue, tracked by grantor, year, purpose and/or other reasons for keeping separate from other sources of revenue.

Position

Account Range

0-ZZZZZZ

Definition

Position codes are primarily used by Payroll for differentiation in pay rate and revenue source allocations for tracking the payroll posted to the GL. Position codes are also available for use by the A/P department for tracking purposes and are currently used to track credit card purchases.

Location

Account Range

11-99

Definition

Location codes are used to track expense by Center (site) location. Each site within the Organization has a unique location code.

Fiscal Year of Organization

SOCFC shall operate on a fiscal year that begins on November 1st and ends on October 31st. Any changes to the fiscal year of the Organization must be ratified by majority vote of SOCFC’s Board of Directors and approved by the Internal Revenue Service.

Accounting Estimates

SOCFC utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets

4. Values of contributed services
5. Cost allocation calculations

The Finance Director will reassess, review, and approve all estimates yearly. All key conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Budget Committee and the external audit firm.

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Nonrecurring accruals of income and expenses
4. Recording of Grant to GAAP adjustments

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue

Recurring journal entries shall be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

All journal entries not originating from subsidiary ledgers shall be authorized in writing by the Finance Director by initialing or signing the entries.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

SOCFC receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Grant and Contract income** – Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **In-Kind Contributions or Non-Federal Share** – Recognized as income when received. (See the following section titled “Cost Sharing and Matching.”)
3. **Program Income** – Defined as gross income generated by a supported activity or earned as a result of an award (including refunds and other applicable credits), and is recognized as a reduction in expenditures in the period in which it is received.
4. **Nongovernmental Cash Contributions** – Recognized as income when received, unless accompanied by restrictions or conditions. (See the next section on contribution income.)
5. **Fee-for-Service Income** – Recognized as income when services are rendered unless collection of amounts due is in question. In this case, revenue is recognized when payments are received.
6. **Interest Income** – Monthly accrual based on when it was earned.

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the Finance Director.

Definitions

The following definitions shall apply with respect to the policies described in this manual:

Contribution – An unconditional transfer of cash or other assets to the Organization, or a settlement or cancellation of the Organization's liabilities, in a voluntary nonreciprocal transfer by another entity or individual.

Condition – A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Organization or releases the promisor from its obligation to transfer its assets. In practical terms, this means a donor has imposed some type of stipulation other than a purpose or time period stipulation (which is defined as a restriction below) and that condition has some degree of uncertainty as to whether or not it will occur, and if the condition is not met, the Organization is not entitled to the contribution. Conditions may or may not be within the control of the Organization.

Restriction – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature

of the Organization, the environment in which it operates, and the purposes specified in the Articles of Incorporation and Bylaws. Restrictions on the use of an asset may be temporary or permanent.

Nonreciprocal Transfer – A transaction in which an individual or entity incurs a liability or transfers assets to SOCFC without directly receiving value in exchange.

Promise to Give – A written or oral agreement to contribute cash or other assets.

Exchange Transaction – A reciprocal transaction in which SOCFC and another entity each receive and sacrifice something of approximately equal value.

ADMINISTRATION OF FEDERAL AWARDS

Definitions

SOCFC may receive financial assistance from a donor/grantor agency through the following types of agreements:

Grant: A financial assistance award given to the Organization to carry out its programmatic purpose.

Contract: A mutually binding legal agreement where the Organization agrees to provide supplies or services and the funder agrees to pay for them.

Cooperative Agreement: A legal agreement where the Organization implements a program with the direct involvement of the funder.

Throughout this manual, federal assistance received in any of these forms will be referred to as a federal "award."

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals shall be reviewed by the Finance Director or Fiscal Manager prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs. Final proposals shall be reviewed and approved in writing by the Board of Directors and the Executive Director.

Post-Award Procedures

After an award has been made, the following steps shall be taken:

1. Verify the specifications of the grant or contract. The Fiscal Department shall review the terms, time periods, award amounts, and expected expenditures associated with the award. A *Catalog of Federal Domestic Assistance* (CFDA) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Create a new revenue source account segment number. The account shall be established to track receipts and expenditures within the grant or contract budget.
3. Gather documentation. See the following section, "Document Administration", for details.

Compliance with Laws, Regulations, and Provisions of Awards

SOCFC recognizes that as a recipient of federal funds, the Organization is responsible for compliance with all applicable laws, regulations, and provisions of contracts and grants. To ensure that the Organization meets this responsibility, the following policies apply with respect to every grant or contract received directly or indirectly from a federal agency:

1. For each federal award, the Agency/Program Director or Content/Department Director within the department responsible for administering the award will act as "grant manager."
2. Each "grant manager" shall attend available training applicable to managing his or her grant prior to beginning his or her role as a grant manager (or as early in their functioning as a grant manager as practical). Thereafter, all grant managers shall attend refresher/update courses throughout the life of the grant.
3. The grant manager shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
 - b. Review *2 CFR Part 200 Appendix XI, Compliance Supplement* (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
 - c. Review the section of the *Catalog of Federal Domestic Assistance* (CFDA) applicable to the award.
 - d. The grant manager will communicate grant requirements to those who will be responsible for carrying them out, or impacted by them.
4. The Fiscal Department shall forward copies of applicable laws and regulations to the grant manager (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).
5. The grant manager and/or the Fiscal Department shall identify and communicate any special changes in policies and procedures necessitated by federal awards as a result of the review of each award.
6. The grant manager shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to *2 CFR Part 200 Appendix XI, Compliance Supplement*, and communications with federal awarding agency personnel.
7. The grant manager shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The grant manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Document Administration

For each grant/award received by SOCFC from a federal, state, or local government agency, a master file of documents applicable to the award shall be prepared and maintained. The responsibility for assembling each master file shall be assigned to the Operations Manager on behalf of the Agency/Program Director assigned to administer the program. A working copy of each master file shall be maintained in the Fiscal Office.

The master file assembled for each government award shall include all of the following documents (including originals of all documents received from the awarding agency):

1. Copy of the initial application for the award and corresponding budget
2. All correspondence to and from the awarding agency post-application, leading up to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award

5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)
7. Copies of program and financial reports
8. Subsequent correspondence to/from the awarding agency
9. Results of any monitoring visits conducted by the awarding agency, including resolution by SOCFC of any findings arising from such visits
10. Correspondence and other documents resulting from the closeout process of the award

The original grant document file shall remain in the office of the Operations Manager. The Finance Director shall maintain a separate working file of frequently requested documents that shall consist of photocopies of the documents included in the master grant document file. The purpose of this file of copied documents is to limit the potential for loss of valuable documents. Any other SOCFC employee making a valid request for access to grant documents shall be provided with the file of copied documents and shall be asked to review this file within the Finance Director's office. Copies of pertinent pages will be provided for out-of-office review.

Closeout of Federal Awards

SOCFC shall follow the closeout procedures described in 2 CFR Part 200.343-345, Closeout and in the grant agreements as specified by the granting agency.

SOCFC shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

COST SHARING AND MATCHING (IN-KIND)

Overview

SOCFC values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or federal agency regulations identify specific values to be used.

SOCFC shall claim contributions as meeting a cost sharing or matching requirement of a federal award only if all of the following criteria are met:

1. They are verifiable from SOCFC records.
2. They are not included as contributions (or match) for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under the federal cost principles, 2 CFR Part 200 Subpart E, Cost Principles.
5. They are not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the federal awarding agency.
7. They conform to all provisions of federal administrative regulations, 2 CFR Part 200 Subpart D, Post Federal Awards Requirements.
8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i)(1) to establish its value.

Valuation and Accounting Treatment

In-kind typically falls into one of the following categories:

- Cash
- Space, buildings, land, and equipment
- Volunteer time and services
- Supplies and materials

The following sections discuss the valuation and accounting treatment for each category.

Cash

- SOCFC shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public. Discounts taken as in-kind must be supported by a letter (or designated on the invoice) from the contractor stating that it is providing this discount in support of the program.

Space, Buildings, Land, and Equipment

Buildings and Land

If the purpose of the contribution is to assist the Organization in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency.

If the purpose of the donation is to support activities that require the use of equipment, buildings, or land, depreciation may be claimed as matching, unless the awarding agency has approved using the full value as match.

Equipment, land, or buildings are valued at their fair market value as determined by an independent appraiser. Information on the date of donation and records from the appraisal will be maintained in a property file.

Space:

- Will be valued at the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.
- Information on the date of donation and records from the appraisal will be maintained in a property file.
- If less than an arms-length transaction, will be valued based on actual allowable costs to occupy the facility (e.g. repairs and maintenance, insurance, etc.) not to exceed fair market value.

Volunteer Time and Services

Volunteer services furnished by professional and technical personnel, consultants, and other skilled and unskilled labor will be included in in-kind if the services are an integral and necessary part of the program.

Examples of contributed services received and recorded as income and expense by SOCFC include: classroom assistants, cook assistants, office assistants, etc.

Volunteer services will be valued at rates consistent with those paid for similar work in the Organization. For skills not found in the Organization, rates will be consistent with those paid for similar work in our labor market. Rates should include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions, or on agency average.

Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.

SOCFC requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. Each program that uses volunteers will provide the volunteers a sign-in sheet which collects the following information:

- Date service was performed
- Volunteer name
- Hours donated

- Service provided
- Signature of volunteer

The sign-in sheets will be recorded in the SHINE data system, tallied and reviewed by the ERSEA department and delivered to the Fiscal Department monthly so they can be recorded as in-kind in the accounting records.

Supplies

Donated supplies must be used in the program and shall be valued at fair market value at the time of donation. Supplies can be counted as match only if the program would have purchased such items with federal funds.

GIFT ACCEPTANCE

Overview of Gift Acceptance Policies

A gift/contribution is consideration given to the Organization for which the donor receives no direct benefit and requires nothing in exchange (it is nonreciprocal) other than assurance that the intent of the contribution will be honored by SOCFC. Two broad principles apply to all gifts given to the Organization:

1. A gift shall not be accepted that is not in the charitable interest of the donor, considering the donor's financial situation and philanthropic interests, as well as tax, legal, and other relevant factors.
2. A gift shall not be accepted unless there is a reasonable expectation that acceptance of the gift shall ultimately benefit SOCFC.

SOCFC will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use SOCFC's name for promotion of any product or service.

Categories of Gifts

Gifts to the Organization are classified into two categories, based on the level of risk associated with acceptance of the gift.

Gifts of **marginal risk** include the following:

- Cash and cash equivalents (e.g., certificates of deposit)
- Gifts of securities actively traded on a U.S. public market (e.g., publicly-traded stocks, mutual funds, corporate and government bonds, etc.)
- Personal property with a fair value of less than \$5,000 (new or used)

Gifts of the preceding three categories shall be considered to be of marginal risk only if they are either unrestricted or restricted to one specific, existing SOCFC program.

Gifts of **greater-than-marginal risk** include the following:

- Any gift requiring the acceptance of a restriction that:
 - is not clearly identifiable with an existing program of SOCFC,
 - would require the addition or modification of an SOCFC program,
 - would not be consistent with the mission of SOCFC,
 - would not be consistent with SOCFC's tax-exempt purpose under IRC section 501(c)(3),
 - would require the reclassification of unrestricted net assets to temporarily restricted
 - would violate any federal, state, or local law or regulation, or
 - would result in excessive control to the donor, or anyone designated by the donor, over the subsequent use of the contributed asset

- Any gift from a donor involved in businesses or activities that may be deemed to be inconsistent with the mission of SOCFC.
- Personal property with a fair value of \$5,000 or more (new or used)
- Real property (either an outright gift of property or the donated use of such property)
- Non-publicly-traded securities (e.g., ownership interests in privately-held businesses, partnerships, etc.)
- Charitable remainder trusts
- Charitable lead trusts
- Conditional promises to give/pledges
- Unusual items or items of questionable value (including works of art, animals, historic artifacts, memorabilia, etc.)
- Life insurance
- Notification of the intent to give noncash assets through a bequest

Gift Acceptance Procedures

Gifts of marginal risk may be accepted by the Agency/Program Directors without any further review and approval. Gifts of greater-than-marginal risk may be accepted only after review and approval of both the Finance Director and Executive Director. This review and approval shall be documented on a Gift Acceptance form.

It is also the policy of SOCFC to liquidate all gifts of publicly-traded securities within ten days of receipt unless it is determined by the Finance Director that holding the securities as an investment of the Organization would be fiscally prudent, appropriate, and consistent with the Organization's investment policies.

CONTRIBUTIONS ACCOUNTING

Distinguishing Contributions from Exchange Transactions

SOCFC receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. SOCFC shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. SOCFC's intent in soliciting the asset, as stated in the accompanying materials.
2. The expressed intent of the entity providing resources to SOCFC (i.e., does the resource provider state that its intent is to support SOCFC's programs or that it anticipates specified benefits in exchange?).
3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of SOCFC (contribution).
4. Whether payment received by SOCFC is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by SOCFC, or the cost of those assets plus a markup (exchange transaction).
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution).
6. Whether assets are to be delivered by SOCFC to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider (exchange transaction).

Donor Privacy

SOCFC respects the privacy of its donors and also recognizes that donors wish to be connected to the Organization. SOCFC uses donor information to notify them of information, plans, and activities. Donor information is shared with staff, Board members, volunteers, and consultants on a "need to know" basis.

SOCFC does not share their donor list with any third party unless donor permission has been granted. Requests to remain anonymous will be honored.

Recognition of Contribution Income (GAAP)

SOCFC shall recognize contribution income based on the following factors:

1. Unconditional contributions of assets (cash, property, etc.) shall be recognized as income upon receipt of the asset by the Organization.
2. Unconditional promises to contribute assets shall be recognized as income upon receipt of clear communication of the promise from the donor or the donor's legal representative (e.g., trustee, attorney, etc.). See additional guidelines in the next section.

3. Conditional contributions and conditional promises to give shall be recognized as income upon the satisfaction of the condition.
4. Contributed services shall be recognized as income only to the extent that the contributed services possess either one of the following characteristics:
 - a. The service creates or enhances a non-financial asset (e.g., land, buildings, intangible assets, etc.).
 - b. The service requires a specialized skill, it is provided by an individual possessing that skill, and the service is one that would typically need to be purchased if it had not been contributed to the organization.

Examples of services contributed to SOCFE that ordinarily meet one of these criteria include, but are not limited to: Accounting services, Architect services, Software subscription/maintenance services, Technology services, etc.

All noncash contribution income received shall be recorded at fair value. (See policy below.)

Contribution income shall be classified as unrestricted, temporarily restricted, or permanently restricted in accordance with the definitions and guidelines described earlier.

Valuation of Noncash Contributions

As stated in the preceding section, all noncash contributions of assets shall be recorded at their fair value as of the date of the gift. Fair values used in accounting for donated assets shall be determined by the Organization, not by the donor, although in some cases a value may have been provided by a donor. (See subsequent policies associated with IRS Form 8283.)

The determination of the fair value of donated assets shall be determined as follows:

1. For contributions of publicly-traded securities, fair value shall be determined by the Finance Director based on a Web-based search of the closing price of the security on the date that the security was transferred to SOCFE. In addition, a printout of this Web search shall be retained in the accounting department's records for future reference and substantiation of this procedure.
2. For contributions of personal property, fair value shall be determined by the Operations Manager, using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the Finance Director – such valuation will be documented using a standard form.
3. For contributions of real property, fair value shall be determined by an appraisal performed by an independent appraiser hired by SOCFE (not an appraiser hired by the donor).
4. For contributions of all other assets, fair value shall be determined by the Finance Director.

For contributed services that meet the previously described criteria for recording, the fair value of the services shall be determined by multiplying the hours worked by each volunteer, as documented on the Organization's Volunteer Time Sheet, by an applicable hourly rate. The applicable hourly rate shall be determined by the Human Resources Director and shall generally be an hourly rate equal to Step One of the Salary Schedule for equivalent tasks plus estimated employee benefits costs at 40.73%, or an hourly rate typically charged by external contractors possessing the skills provided by the volunteer.

The value of professional skilled volunteer services will be recorded in the Organizations books on the GAAP Basis of Accounting. The value of unskilled volunteer services will recorded in a supplemental ledger for Grant reporting purposes.

All determinations of hourly rates used to value contributed services shall be reviewed, documented, and approved by the Finance Director.

Unconditional Promises to Give

- Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) in the period that SOCFC receives communication of the promise.
- Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value.
- Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to SOCFC at the time the Organization receives a promise from a donor, considering the dollar amount of the promise and the time period of the promise (e.g., for promises of less than \$100,000, the Organization shall generally use the interest rate applicable to certificates of deposit for the same approximate duration available from its bank).
- When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

Conditional Promises to Give

The Organization shall not record an asset or contribution income for any conditional promise to give. However, the Organization shall maintain a record of such conditional promises to give and monitor these gifts for purposes of identifying when the condition associated with each such promise has been satisfied. As noted below, this schedule shall also be used in connection with preparing the Organization's footnote disclosures associated with contributions.

Receipt of Donations

Upon receipt, all monetary donations will be processed according to the Cash Receipts policies contained in this manual. Information on restriction of gifts shall be communicated to the Fiscal Department so the gift can be recorded and governed according to the wishes of the donor. After funds are deposited, check copies, cash receipts, source of the gift, intended use and any other information included with the gift is filed in the Fiscal Department. The Fiscal Department will acknowledge gifts within 5 days of receipt.

Receipts and Disclosures

SOCFC and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying regulations. To comply with those rules, SOCFC shall adhere to the following guidelines with respect to contributions received by the Organization.

The Fiscal Department shall provide a receipt to the donor for every separate contribution received. All receipts shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received.
2. A statement of whether SOCFC provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received.
3. If any goods or services were provided to the donor by SOCFC, a description and good faith estimate of the value of those goods or services.

When SOCFC receives cash in excess of \$75 or noncash property with a value in excess of \$75 as part of a quid pro quo transaction, the Organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo transaction" is one in which a payment received by SOCFC is made both as a contribution and as a payment for goods or services provided by the donee organization. In such instances, SOCFC shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by SOCFC may be deducted as a charitable contribution. The receipt shall also include a good faith estimate of the fair market value of the goods or services provided to the donor by SOCFC.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. Hence, SOCFC shall not provide receipts when it receives cash or property in excess of \$75 in any of the following circumstances:

1. The goods provided to the donor during 2014 bear SOCFC's name or logo and have an aggregate cost of \$10.40 or less and the donor gave the Organization at least \$52.00.
2. The goods provided to the donor in 2014 have a fair market value equal to no more than 2% of the contribution or \$104, whichever is less.
3. The gift received by SOCFC resulted from the Organization's 2014 fund-raising appeal that included articles worth no more than \$10.40, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. Inflation adjustments subsequent to 2014 are incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by SOCFC shall be prepared by the Fiscal Department.

Currently, SOCFC is not involved with quid pro quo transactions.

SOCFC complies with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

IRS Form 8283, Noncash Charitable Contributions

In certain instances, SOCFC may be requested to sign a Form 8283 (section b, Part IV) by a donor who has made a material contribution (over \$5,000) of noncash assets to the Organization. The signature of an organization official on Form 8283 signifies an acknowledgment of the description of the donated asset and the date of the gift. It does NOT represent any level of certification of or agreement to the valuation of the gift that has been assigned by the donor or the donor's appraiser, but it does serve to inform SOCFC of the value intended to be deducted by the donor, which is useful in connection with the subsequent filing of Form 8282. (See the next section for the policies regarding Form 8282.)

Any Form 8283 presented by a donor for signature by SOCFC shall be reviewed, along with the donated asset and any relevant documentation pertaining to the asset's description and condition, by the Finance Director, who shall have final responsibility for agreeing or disagreeing with the donor's description of the asset and for signing the Form 8283.

The Finance Director shall retain a copy of any Form 8283 that has been signed and shall forward a copy of each Form 8283 to the Fiscal Manager for subsequent tracking of the donated asset. (See related policy below.)

IRS Form 8282, Donee Information Return

When SOCFC subsequently sells assets that have been contributed to it, the filing of a Form 8282 may be required. Among the exceptions from filing Form 8282 are subsequent sales of assets contributed to the Organization more than three years before the sale, and sales of assets that when contributed had a fair value of \$5,000 or less, as evidenced by the Form 8283 presented to the Organization by the donor at the time of the gift.

Form 8282 is not required with respect to donated assets that are consumed or distributed in fulfillment of the Organization's tax-exempt mission.

Responsibility for tracking donated assets and determining whether filing Form 8282 is required is assigned to Fiscal Manager. It is the policy of SOCFC to file such forms in a timely manner (within 125 days of the sale). Upon completion of a Form 8282 by the Fiscal Manager, the form shall be reviewed and signed by the Finance Director. Delivery of the form to IRS shall be done by mail, performed by the Fiscal Manager.

A Form 8282 shall also be prepared and filed if SOCFC transfers a donated asset to another charitable nonprofit organization (subject to the same exceptions as described above). In such cases, the Form 8282 shall be filed with IRS within 125 days of the transfer and a copy of the Form 8282 shall be provided to the successor nonprofit organization within 15 days of filing the Form 8282 with the IRS, along with a copy of the original Form 8283 received from the donor.

Disclosures of Promises to Give

As stated earlier, SOCFC shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, SOCFC shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five fiscal years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, SOCFC shall nonetheless prepare a similar schedule of future payments for disclosure in the Organization's annual financial statements.

Endowment Funds

It is currently not the policy of SOCFC to establish and accept endowments. Any future consideration will be reviewed by the Budget Committee and approved or rejected by the Board of Directors.

Fund-Raising Events

The Organization shall maintain a subsidiary record that tracks each special fund-raising event sponsored by the Organization. The Fiscal Manager shall be responsible for maintaining this subsidiary record, with assistance from the Executive Director and the Chairman of the fundraising event. The following information shall be tracked on an event-by-event basis for purposes of possible disclosure in the Organization's annual Form 990 information return with the IRS:

1. Description and location of the event (including an indication of whether any type of gaming activities took place in connection with the event).
2. Total gross proceeds received in connection with the event.
3. Portion of the proceeds considered to be a contribution (equal to the amount received less the fair value of any benefits provided to donors).
4. Total costs of the event.
5. Portion of the costs attributable to direct donor benefits (i.e., the cost of any benefits provided to donors, such as the cost of a meal provided to attendees at a fund-raiser).
6. Portion of the total costs associated with:
 - a. Rent or facility costs
 - b. Cash prizes, if any
 - c. Noncash prizes, if any
 - d. Food and beverages
 - e. Entertainment
 - f. Fees paid to (or retained by) an outside fund-raiser
7. The percentage of the overall labor effort involved in the event that was contributed by volunteers (this schedule should show total hours associated with paid employees/contractors and total hours associated with volunteer efforts).
8. The names and addresses of any outside fund-raiser used in connection with the event.
9. An indication of whether any outside fund-raiser ever took custody, even temporarily, of funds raised for SOCFC in connection with any fund-raising event.

In addition to the preceding information, if any fund-raising activities of SOCFC include gaming (e.g., bingo, pull tabs, or any other type of gaming), the Organization shall maintain records of the following:

1. Total compensated and total uncompensated (volunteer) labor hours associated with each event.
2. The name and address of the person or company responsible for running the Organization's gaming activities, as well as a copy of their license to conduct gaming activities.
3. Documentation indicating the percentage of gaming activity operated in the Organization's facility vs. an outside facility.
4. If the Organization utilizes a third party to operate gaming activities, a record shall be kept of the total proceeds of the gaming activity and the amount retained by the third-party operator as its compensation.

If the Organization engages in, or plans to engage in, gaming activities, the Finance Director shall first research and obtain any and all required licenses or permits.

In addition, for any fund-raising or gaming activity operated by a third party, where the third party collects or maintains custody of funds paid by attendees, the Organization shall first gain an understanding of the internal controls of the third party, including the third party's processes for receiving and securing funds and whether individuals employed by the third party are bonded. The Finance Director shall conduct or arrange for this internal control evaluation.

State Registrations

It is the policy of SOCFC to register in each state in which the organization's fund-raising activities would result in a requirement to register. Determination of state-by-state registration requirements shall be with the Finance Director, who may consult outside advisors in making such determinations.

Once registered, the Finance Director shall ensure that subsequent periodic filing requirements are met. The Finance Director may delegate the preparation of such periodic state filings to the Fiscal Manager, subject to the review and approval of the Finance Director.

Credit Card Donations

For donations or purchases made by credit card through the Organization's website, the following procedures will be followed:

1. Charges will be processed by an outsourced service provider.
2. The service provider will send daily reports to the Fiscal Department listing each amount charged for a donation or an item purchased and the contact information of the donor/purchaser.
3. The Fiscal Department will use the notice to reconcile the bank statement.

Recording of the Revenue will be done daily into the Organization's donor database and then into the accounting system with a cash receipt.

BILLING/INVOICING POLICIES

Overview

The Organization's primary sources of revenue are:

- Reimbursement grants – Billed monthly, or as funders require, based on allowed, incurred expenses.
- Fee-for-service income – Billed according to contract requirements based on number of units of services provided.
- Private grants – funds are usually received once funding is approved. Financial expenditure reports, if required, are submitted as required by funding sources.
- Donations/Contributions – may be solicited or unsolicited.

Other lesser sources of income such as transportation fees, meal charges, or child care fees will be collected and recorded when the services are provided.

Responsibilities for Billing and Collection

SOCFC's Fiscal Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

Billing and Financial Reporting

SOCFC strives to provide management, staff, and funding sources with timely and accurate financial reports applicable to federal awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

SOCFC shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of the Finance Director or Fiscal Manager, subject to review and approval by the Finance Director.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to SOCFC:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. SOCFC will strive to minimize the time between receipt and disbursement of grant funds by issuing payments within 24 business hours of receipt of such funds. *2 CFR Part 200.305(b)(1)*
3. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.

4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts. (Accounting system reports will be prepared on a grant year-to-date basis and reconciled to the previous reimbursement request.)
5. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent SOCFC's year-end audit results in adjustments to amounts previously reported to federal agencies, revised reports shall be prepared and filed in accordance with the terms of each federal award.

SOCFC shall maintain separate billing records in addition to the official general ledger accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of SOCFC by the Fiscal Manager.

If a federal award authorizes the payment of cash advances to SOCFC, the Finance Director may require that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, SOCFC shall reflect a liability equal to the advance. As part of the monthly closeout and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Cash Drawdowns of Advances and Reimbursements

Cash drawdowns of advances and reimbursements from federal agencies shall be made weekly in conjunction with the weekly accounts payable and bi-weekly payroll schedule, based on need. All federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual. SOCFC requires that federal funds will be disbursed within 24 business hours of receipt using the following process:

1. On Wednesday of Payroll week, the Payroll Manager will print out a listing of paychecks to be disbursed. On each Thursday, the Fiscal Manager will print out a listing of invoices selected to pay.
2. The Finance Director approves the listing and runs grant year-to-date expenditure reports.
3. On Wednesday for Direct Deposit payroll and Thursday for all other disbursements, the Finance Director, with signed approval of the Executive Director draws down the cash required.
4. On Friday, the checks are printed, signed, and disbursed in accordance with cash disbursement policies.

Accounts Receivable Entry Policies

Individuals independent of the cash receipts function shall post customer invoices, credit adjustments, and other adjustments to the accounts receivable subsidiary ledger.

Classification of Income and Net Assets

All income received by SOCFC is classified as "unrestricted," with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.

From time to time, SOCFC may raise other forms of contribution income which carry stipulations that the Organization utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, SOCFC shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), SOCFC will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the SOCFC Board of Directors may determine that it is appropriate to set funds aside for specific projects. Such funds shall be classified as "unrestricted," labeled "Board-Designated," and reported as a separate component of unrestricted net assets.

CASH RECEIPTS

Overview

Cash (including checks payable to the Organization) is the most liquid asset an organization has. Therefore, it is the objective of SOCFC to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

The following procedures will be followed:

- Cash receipts are received in a central location in the Fiscal Office, rather than at remote sites, to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and cash/checks received shall be recorded in an open area on pre-numbered receipts, in the presence of other employees, and under the supervision of the Fiscal Manager.
- The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies.
- Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily cash receipts listing.

Endorsement of Checks

All checks received that are payable to the Organization shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. SOCFC
3. The bank name
4. The bank account number of SOCFC

Timeliness of Bank Deposits

Bank deposits shall be made on a weekly basis, unless the total amount received for deposit is less than \$1,000. In no event shall deposits be made less frequently than bi-weekly. Undeposited checks and cash shall be maintained in a locked file or safe and kept in a secure area until deposited. Such cash will not be used as petty cash or to make change.

Reconciliation of Deposits

On a periodic basis, the Finance Director, who does not prepare the initial cash receipts listing or bank deposit, shall reconcile the listings of receipts to bank deposits on the monthly bank statement. Any discrepancies shall be immediately investigated.

Control Grid - Revenue and Cash Receipts

SOCFC strives to maintain adequate segregation of duties in its income and cash receipts functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

- FD. Finance Director
- FM. Fiscal Manager
- AS. Accounting Specialist
- FAA. Fiscal Administrative Assistant
- PM. Payroll Manager

	FD	FM	AS	FAA	PM
Produces invoice to bill customer		x			
Enters invoice into A/R system		x			
Opens mail				x	
Restrictively endorses checks				x	
Prepares initial record of funds collected				x	
Adds coding to receipts during review				x	
Prepares deposit slip				x	
Takes deposit slip to bank		x			
Enters payments into A/R system		x			
Reconciles log of collections w/ A/R posting				x	
Authorizes credits or other adjustments	x				
Posts credits/adjustments to A/R system		x			
Authorizes write-off of bad debts	x				
Posts bad debt write-offs to A/R system		x			
Prepares periodic customer statements - NA					
Reconciles A/R with general ledger	x				
Reconciles bank statement		x			
Reviews bank reconciliation	x				
Performs follow-up calls on old A/R		x			

GRANTS RECEIVABLE MANAGEMENT

Monitoring and Recognition

SOCFC records grants receivable and income as follows:

1. Upon receipt of the grant, the grant amount will be noted as the revenue source code is assigned.
2. During the year, when a cash drawdown is requested for expenses incurred, the revenue and grants receivable accounts are increased.
3. When the cash is received it is recorded as a reduction to grants receivable.
4. In order to comply with GAAP requirements, at the end of the fiscal year, the amount of the remaining accrued expenditures will be recorded as grants receivable and revenue earned.

Therefore, management and the board will be able to monitor the progress of the entire grant at any time during the year.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a monthly basis, the Fiscal Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The Finance Director will review the reconciliation and ensure that all differences are immediately investigated and resolved.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors. An employee who is independent of the cash receipts function will process credits and adjustments to Accounts Receivable, and all credits shall be authorized by the Finance Director.

Accounts Receivable Write-Off Authorization Procedures

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs shall be done only with the authorization of the Finance Director.

Once a write-off has been processed, appropriate individuals in the originating department will be advised so that further credit is not granted and so the master list of bad accounts is updated. Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem.

If write-off procedures have been initiated, the following accounting treatment applies:

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account, or against the original account credited.
2. Invoices written off that are dated prior to the current year will be written off against net assets.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY SOCFC.

SOCFC requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable federal statutes and executive orders.

Responsibility for Purchasing

All Department/Area Managers or their designees shall have the authority to initiate purchases on behalf of their department, within the guidelines described here. Department/Area Managers shall inform the Procurement Specialist of all individuals that may initiate purchases or request purchase orders. The Procurement Specialist shall maintain a current list of all authorized purchasers.

The Operations Department shall be responsible for processing purchase orders. The Operations Manager has approval authority over all purchases and contractual commitments (all contracts must be approved and signed by the Executive Director). The Finance Director shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Code of Conduct in Purchasing (2 CFR Part 200.318(c)(1))

Ethical conduct in managing the Organization's purchasing activities is absolutely essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a contractor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his or her immediate family, his or her spouse or partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.
- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.

- Unsolicited gifts with a value \$25 or less may be accepted with the approval of the Executive Director.

Competition (2 CFR Part 200.319)

In order to promote open and full competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate, or restrain trade.
- Not permit contractors who develop specifications, requirements, or proposals to bid on such procurements.
- Award contracts to bidders whose product or service is most advantageous in terms of price, quality, and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Organization's best interest.
- Not give preference to state or local geographical areas unless such preference is mandated by Federal statute. *(200.319(b))*
- "Name brand or equivalent" description may be used as a means to define the performance or requirements. *(200.319(c)(1))*

Nondiscrimination Policy

All contractors who are the recipients of Organization funds or who propose to perform any work or furnish any goods under agreements with SOCFC, shall agree to these important principles:

1. Contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation, or national origin, except where religion, sex, or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the contractors.
2. Contractors agree to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisements, and solicitations placed in accordance with federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

Procurement Procedures

The following are SOCFC's procurement procedures:

1. SOCFC shall avoid purchasing items that are not necessary for the performance of the activities required by a federal award. *(2 CFR Part 200.318(d))*
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the federal government. *(2 CFR Part 200.318(d))* This analysis should only be made when both lease and purchase alternatives are available to the program.

3. Purchasers are encouraged to enter into state and local inter-governmental or inter-entity agreements where appropriate for procurement of or use of common or shared goods and services. (2 CFR Part 200.318(e))
4. Purchasers are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs. (2 CFR Part 200.318(f))
5. Documentation of the cost and price analysis associated with each procurement decision in excess of the simplified acquisition threshold (\$150,000) shall be retained in the procurement files pertaining to each federal award. (2 CFR Part 200.323)
6. All pre-qualified lists of persons, firms or products which are used in acquiring goods and services must be current and include enough qualified sources to ensure maximum open and full competition. (2 CFR Part 200.319(d))
7. SOCFC will maintain records sufficient to detail the history of procurement, including: (2 CFR Part 200.318(i))
 - a) Rationale for the method of procurement;
 - b) Selection of contract type;
 - c) Contractor selection or rejection; and
 - d) The basis for the contract price.
8. SOCFC shall make all procurement files available for inspection upon request by a federal awarding agency.
9. SOCFC shall not utilize the cost-plus-a-percentage-of-costs method of contracting. (2 CFR Part 200.323(d))

All staff members with the authority to approve purchases will receive a copy of and be familiar with 2 CFR Part 200.400 – 475, Cost Principles.

Authorizations and Purchasing Limits

All requisitions for purchase orders must be signed by an authorized individual (Area or Department Manager, etc.). All completed purchase orders must be initialed by the Purchasing Specialist and approved by the Operations Manager. The following table displays required approvals and solicitations:

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
< \$3,000	<ul style="list-style-type: none"> • Dept./Area Mgr. • Operations Mgr. 	Evidence of solicitation not required if the price is reasonable, but purchases should be distributed among qualified suppliers. 2 CFR Part 200.320(a)	<ul style="list-style-type: none"> • Purchase order approved by Operations Manager.
\$3,000 < \$5,000	<ul style="list-style-type: none"> • Dept./Area Mgr. • Operations Mgr. 	2 price quotes (catalogue, Internet, written)	<ul style="list-style-type: none"> • Documentation of price quotes received • How decision was made if lowest price not used

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
\$5,000 < \$25,000	<ul style="list-style-type: none"> • Operations Mgr. • Finance Director • Prog. Director • Regional Office <i>(for single item over \$5,000)</i> 	3 written bids (catalogue, Internet, written)	<ul style="list-style-type: none"> • Documentation of bids received • How decision was made if lowest price not used
\$25,000 < \$150,000	<ul style="list-style-type: none"> • Operations Mgr. • Prog. Director • Finance Director • Exec. Director • Policy Council • Board of Directors • Regional Office 	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid
> \$150,000	<ul style="list-style-type: none"> • Operations Mgr. • Prog. Director • Finance Director • Exec. Director • Policy Council • Board of Directors • Regional Office 	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> • Copy of RFB or RFP • Proposal scoring grids including who participated in the scoring • Proposal and contract of winning bid

The Executive Director is authorized to enter into any contract on behalf of SOFC. Contracts must be reviewed by the Operations Manager or by the Finance Director. These policies shall also apply to renewals of existing contracts.

Approved Contractors (Vendors)

SOFC encourages departments to develop lists of approved contractors (vendors) that can be used throughout the year. The process to identify an approved contractor (vendor) is as follows:

1. Develop a list of similar, commonly-purchased items that can be acquired from a single contractor (vendor). Examples are office supplies and classroom supplies.
2. Get cost estimates for the list in total, not for each item. Include shipping costs, if necessary.
3. Obtain 2 or 3 quotes, depending on the level of expected spending for the year.
4. Compare the quotes.
5. The contractors (vendors) with the lowest prices (for equivalent quality items), including shipping, will be approved for use within the year.
6. This process could result in multiple contractors (vendors) if the prices are within 5% of each other.

The process should be repeated annually, with the approved lists produced by the departments. Contractors (vendors) may be added throughout the year.

Use of Purchase Orders

SOCFC utilizes a purchase order system. A properly completed requisition and approved purchase order shall be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost) in excess of \$10, with the exception of travel advances, expense reimbursements, or in those instances which require a "check-in-hand" (such as a field trip), which require the preparation of a separate form described elsewhere in this manual. A properly completed requisition for a purchase order shall contain the following information:

1. Specifications or statement of services required
2. Contractor (vendor) name, (plus address, point of contact and phone number for new vendors)
3. Source of funding (Revenue Source)
4. Department, GL, and Location codes
5. Delivery, packing, and transportation requirements
6. Delivery or performance schedules
7. Special conditions (if applicable)
8. Catalog number, page number, etc. (if applicable)
9. Net price per unit, less discount, if any
10. Total amount of order
11. Authorized signature (e-mail from authorized e-mail address is acceptable)
12. Date purchase order was prepared
13. For purchases more than 10% (or \$10 whichever is greater) over the amount of the purchase order, a second approval for the higher amount from the authorized signatory is required.

Purchase orders shall be pre-numbered, automatically assigned when printed by the Accounting System in the Operations Department, and issued upon request from an authorized purchaser.

All purchase orders shall be recorded, at the time of printing, in the Accounting System. All outstanding purchase orders shall be reviewed monthly by the Accounting Specialist (A/P) for payment or liquidation, as appropriate. An aged outstanding purchase order report shall be prepared and given to the Fiscal Manager. All purchase orders over 60 days old shall be reviewed by the Fiscal Manager and researched for use and/or cancellation. At the end of the grant year, all purchase orders encumbered to that grant shall be cancelled, along with any outstanding back orders.

Required Solicitation of Quotations from Contractors (Vendors)

Solicitations for goods and services (requests for proposals or RFPs) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product, or service to be procured. Descriptions shall not contain features which unduly restrict competition. (2 CFR Part 200.319(c)(1))
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals. (See the next section entitled "Evaluation of Alternative Contractors" for required criteria.) (2 CFR Part 200.319(c)(2))

3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. (2 CFR Part 200.319(c)(1i))
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (2 CFR Part 200.319(c)(1))
5. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
6. The date by which proposals are due.
7. Required delivery or performance dates/schedules.
8. Clear indications of the quantity(ies) requested and unit(s) of measure.

Extension of Due Dates and Receipt of Late Proposals

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, an extension may be granted if a prospective offeror so requests.

Contractor proposals are considered late if received after the due date and time specified in the solicitation. Late proposals shall be so marked on the outside of the envelope and retained, unopened, in the procurement folder. Contractors that submit late proposals shall be sent a letter notifying them that their proposal was late and could not be considered for award.

Evaluation of Alternative Contractors

Contractors shall be evaluated on a weighted scale that considers the following criteria:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Contractor's financial stability
7. Contractor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by contractor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of contractor
12. Other criteria (to be specified by department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, the department responsible for the purchase shall establish the relative importance of the appropriate criteria prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a contractor has been selected and approved by the Operations Manager, the final selection shall be approved by the Executive Director prior to entering into a contract.

Affirmative Consideration of Minority, Small Business, Women-Owned Businesses, and Labor Surplus Area Firms (2 CFR Part 200.321)

Positive efforts shall be made by SOCFC to utilize small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms whenever possible. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, women's business enterprises, and labor surplus area firms are used to the fullest extent practicable. (2 CFR Part 200.321)
2. Make information on forthcoming opportunities available and arrange time frames for purchases and contracts to encourage and facilitate participation by small business, minority-owned firms, women's business enterprises, and labor surplus area firms. (2 CFR Part 200.321(b)(4))
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms, women's business enterprises, and labor surplus firms. (2 CFR Part 200.321(b)(6))
4. Encourage contracting with consortiums of small businesses, minority-owned firms, women's business enterprises, and labor surplus area firms when a contract is too large for one of these firms to handle individually. (2 CFR Part 200.321(b)(3))
5. Use the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Department of Commerce's Minority Business Development Agency in the minority-owned firms and women's business enterprises. (2 CFR Part 200.321(b)(5))

Availability of Procurement Records (2 CFR Part 200.324(b))

SOCFC shall, on request, make available for the federal awarding agency, pre-award review and procurement documents, such as requests for proposals, when any of the following conditions apply:

- The process does not comply with SOCFC's procurement standards. (2 CFR Part 200.324(b)(1))
- The procurement is expected to exceed the federally-defined simplified acquisition threshold (\$150,000) and is to be awarded without competition or only one bid is received. (2 CFR Part 200.324(b)(2))
- The procurement exceeds the simplified acquisition threshold and specifies a "name brand" product. (2 CFR Part 200.324(b)(3))
- The proposed award exceeds the federally-defined simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed-bid procurement. (2 CFR Part 200.324(b)(4))
- A proposed contract modification changes the scope of a contract or increases the contract amount by more than the amount of the federally-defined simplified acquisition threshold. (2 CFR Part 200.324(b)(5))

Provisions Included in All Contracts (2 CFR Part 200 Appendix II)

SOCFC includes all of the following provisions, as applicable, in all contracts charged to federal awards (including small purchases) with vendors:

1. **Contracts** for more than the simplified acquisition threshold currently set at \$150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address

- administrative, contractual, or legal remedies in instances where contractors violate or break contract terms, and provide for such sanctions and penalties as appropriate.
2. All contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be affected and the basis for settlement.
 3. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."
 4. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** When required by Federal program legislation, all construction contracts of more than \$2,000 awarded by SOCFC shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction").
 5. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** (Where applicable.) All contracts awarded by SOCFC in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5).
 6. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and the recipient in any resulting invention in accordance with 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organization and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the award agency.
 7. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
 8. **Mandatory Standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6201).**
 9. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts of \$100,000 or more, SOCFC shall obtain from the contractor a certification that it will not and has not used federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any federal contract, grant, or any other award covered by 31 U.S.C. 1352.
 10. **Debarment and Suspension (E.O.s 12549 and 12689):** No contract shall be made to the parties listed on the General Services List of Parties Excluded from Federal Procurement or Nonprocurement Programs in accordance with E.O.'s 12549 and 12689, "Debarment and Suspension."

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved. The reasons for such purchases will be documented in the procurement file.

Single Distributor/Source:

Sole source purchases may be made when one or more of the following conditions applies:

- The item or service is only available from one source;
- The situation is an emergency and will not permit a delay resulting from competitive solicitation;
- The awarding agency expressly authorizes noncompetitive proposals in response to a written request;
- After solicitation, competition is deemed inadequate (insufficient bidders).

Approval from the awarding agency may be required.

Right to Audit Clause

SOCFC requires a “Right to Audit” clause in all contracts between the Organizations and contractors that either:

1. Take any form of temporary possession of assets directed for the Organization, or
2. Process data that will be used in any financial function of the Organization.

This Right to Audit clause shall permit access to and review of all documentation and processes relating to the contractor’s operations that apply to SOCFC, as well as all documents maintained or processed on behalf of SOCFC, for a period of three years. The clause shall state that such audit procedures may be performed by SOCFC employees or any outside auditor or contractor designated by the Organization.

Contractor Files and Required Documentation

The Fiscal Department shall create a contractor record in the accounting system for each new contractor from whom SOCFC purchases goods or services.

The Fiscal Department shall mail a blank Form W-9 to new contractors and request that the contractor complete and sign the W-9 (or provide equivalent, substitute information) and return it in the postage-paid envelope provided. Completed, signed Forms W-9 or substitute documentation shall be filed in the Fiscal Office. Contractors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on “Government Returns.” See the section on “Payroll and Related Policies” for guidance on determining whether a vendor should be treated as an employee.

Procurement Grievance Procedures

Any bidder may file a grievance with SOCFC following a competitive bidding process. Once selection is made, bidders must be notified of the results. Information on the organization's appeal procedures must be made available to all prospective contractors upon request, including the name and address of the contact person, and a deadline for filing the grievance. Grievances are limited to violations of federal laws or regulations, or failure of the Organization to follow its own procurement policies.

Receipt and Acceptance of Goods

The Operations Department or designated individual shall inspect all goods received. Upon receipt of any item from a contractor, the following actions shall immediately be taken:

1. Review bill of lading for correct delivery point.
2. Verify the quantity of boxes/containers with the bill of lading.
3. Examine boxes/containers for exterior damage and note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.).
4. Sign and date the bill of lading.
5. Remove the packing slip from each box/container.
6. Compare the description and quantity of goods per the purchase order to the packing slip.
7. Examine goods for physical damage.
8. Count or weigh items, if appropriate, and record the counts on the purchase order.

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with contractors.

Contract Administration

SOCFC is required to have policies and procedures on contract administration. (*2 CFR Part 200.318(b)*) Therefore all contract managers will adhere to the following procedures:

1. Contract administration files shall be maintained:
 - a. For each contract for projects that have gone out for bid, a separate file shall be maintained.
 - b. For all contracts, contract records may be combined in a single (file) notebook in the office of the Operations Manager. A copy of all contracts in the notebook will be provided to the Fiscal Department.
2. Contract administration files shall contain required documentation specified in the authorizations and purchasing limits table for the original scope of work, and for all amendments.
3. Authorization of work:
 - a. No work shall be authorized until the contract for the work has been approved and fully executed.
 - b. No change in the work shall be authorized until an amendment to the contract for the work has been approved and fully executed, except as permitted for Special Purchasing Conditions.

- c. No amendment of a contract for work shall be executed until it has been approved and authorized as required in the Authorizations and Purchasing Limits table and, where required by the terms of the grant award or budget, approval by the funding source.
- 4. Conformance of work: For each grant award, based on the applicable laws, regulations and grant provisions, the Operations Manager shall establish and maintain a system to reasonably assure the contractor is in conformance with the terms, conditions, and specifications of the contract. Timely follow-up will be done to assure such conformance and adequate documentation.
- 5. The Operations Manager will authorize payment of invoices to contracts after the final approval of work products.

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, SOCFC shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state, or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

Endorsements of Candidates

SOCFC will not endorse any candidates for public office in any manner, or otherwise make statements that support or oppose a candidate or a political party, either verbally or in writing. This policy extends to the actions of management, the Board of Directors, volunteers, and other representatives or agents of SOCFC, when these individuals are acting on behalf of, or are otherwise representing, the Organization.

Individual vs. Organization Intervention

The preceding policies prohibiting acts of political intervention apply to the organization and to individuals acting on behalf of the organization. It does not apply to the personal lives of employees and volunteers of the organization, who have the right to support or oppose political candidates and parties as individuals. Employees and volunteers of SOCFC who engage in political activities outside the scope of their employment with or service to the Organization shall at all times be mindful of maintaining a clear distinction between personal activities and those which can be attributed to the Organization.

Prohibited Use of Organization Assets and Resources

No assets or human resources of the Organization shall be utilized for political activities, as defined above. This prohibition extends to the use of Organization assets or personnel in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of SOCFC. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Organization), these individuals must at all times be aware that Organization resources (including computers and email systems) cannot at any time be utilized in support of political activities.

LOBBYING

Introduction

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any federal award (i.e., the Organization must have a nonfederal source of funds to which such lobbying costs can be charged).

Definition of Lobbying Activities

Lobbying activities conducted by the Organization may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Organization or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Organization is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Organization supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Organization's overall activities. The Organization's tax exemption would be at risk if lobbying becomes a substantial portion of the Organization's activities.

Accordingly, SOCFC segregates all direct and indirect lobbying expenditures in a separate section of the chart of accounts in the general ledger. Where appropriate, lobbying expenditures shall also be allocated their fair and reasonable share of employee benefits and other indirect costs in accordance with cost allocation policies described elsewhere in this manual.

Lobbying Election

As a public charity, the Organization has two options with respect to the Internal Revenue Code's restriction against lobbying being a "substantial" portion of its activities. One option is to make a formal

lobbying election, which results in the Organization following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the Organization. Exceeding the limitation by 50 percent or more over a four-year period would result in loss of the Organization's overall tax exemption. The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the Organization would lose its overall tax exemption under this option.

If SOFCF incurs lobbying expense, it will make the Internal Revenue Code section 501(h) lobbying election by filing Form 5768 and will leave that election in place. As a result, the Organization shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

SOCFC charges costs that are reasonable, allowable, and allocable to a federal award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to federal awards.

Segregating Unallowable from Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Grant managers and accounting personnel shall be familiar with the allowability of costs provisions of 2 CFR Part 200.400 – 475, Cost Principles, particularly:
 - a. The list of specifically unallowable costs found in 2 CFR Part 200.421 – 475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with 2 CFR Part 200.407, Prior Written Approval, such as participant support costs, equipment purchases, etc.
3. No costs shall be charged directly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.400-475, Cost Principles.
4. For each federal award, an appropriate set of general ledger accounts (or account segments) shall be established in the chart of accounts to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a federal award or to activity associated with a federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e., if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit).

Criteria for Allowability

All costs must meet the following criteria from 2 CFR Part 200.402-406, Basic Considerations, in order to be treated as allowable direct or indirect costs under a federal award:

1. The cost must be “reasonable” for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the Organization or the performance of the award.
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm’s length bargaining, federal and state laws and regulations, and the terms and conditions of the award.

- c. Whether the individuals concerned acted with prudence in the circumstances.
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be “allocable” to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a federal award,
 - b. The cost benefits both the federal award and other work and can be distributed in reasonable proportion to the benefits received, or
 - c. The cost is necessary to the overall operation of the Organization, except where a direct relationship to any particular program or group of programs cannot be demonstrated.
 3. The cost must conform to any limitations or exclusions of 2 CFR Part 200 Subpart E Cost Principles, or the federal award itself.
 4. Treatment of costs must be consistent with policies and procedures that apply to both federally financed activities and other activities of the Organization.
 5. Costs must be treated consistently over time.
 6. The cost must be determined in accordance with generally accepted accounting principles (GAAP).
 7. Costs may not be included as a cost of any other federally financed program in the current or prior periods.
 8. The cost must be adequately documented.

Direct Costs

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal Award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy (*2 CFR part 200.413(a)*). SOCF identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project manager and reviewed by the Fiscal Manager, with further review by the Executive Director and the Finance Director.

Time sheets are also submitted on a regular basis, reflecting employees' work and which programs directly benefited from their effort. Time sheets shall serve as the basis for charging salaries directly to federal awards and nonfederal functions. See the Payroll section of this manual for detailed procedures.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e., such equipment shall not be capitalized and depreciated for grant purposes, but will be capitalized and depreciated at fiscal year-end for financial statement purposes).

Common and Joint Costs

Common costs and joint costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant or program. Joint costs benefit more than one, but not necessarily all, awards.

Examples of common costs are:

- The Fiscal Department
- The Human Resources Department
- The Board of Directors

Examples of joint costs are:

- Shared space
- Vehicle insurance

Common and joint costs are allocated to the benefiting programs under the Organization's Cost Allocation Plan. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources. As much as possible, costs will first be charged directly to benefiting programs. All remaining shared costs will be allocated on the most meaningful measures as described in the Cost Allocation Plan.

COST ALLOCATION PLAN

SOCFC administers a variety of programs funded by Federal, State, and local resources. It is the policy of SOCFC to identify and directly charge expenses to the appropriate program service or supporting activity. The accounting system records these costs as they are incurred within the series of accounts assigned for that purpose. Expenses that serve multiple functions or are not readily identifiable with one program shall be allocated between programs.

Program and supporting service functions of SOCFC are:

Programs:

1. Head Start (part day and extended day)
2. Early Head Start (various program options)
3. LISTO Program

Supporting Services:

4. USDA
5. Management and general
6. Other Contractual Services

Direct Costing Procedures

SOCFC does not have an indirect cost rate. Because SOCFC is a single purpose organization dedicated to serving the needs of children and their families, it operates under a direct cost approach to multiple funding. Direct and joint costs are allocated to the benefiting programs using the following policies and procedures:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources.
2. As much as possible, costs will first be charged directly to benefiting programs.
3. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, number of children or clients.

4. All remaining shared costs will be allocated on the most meaningful measures. The following bases will be used:

- **Salary and Wages:** Personnel costs, as documented on timesheets, for those employees working directly for one funding source are charged directly to that award. They are assigned a revenue source code corresponding to a specific funding source in the payroll software and charged out accordingly.

For those positions that require the same job function for multiple funding sources, personnel costs, as documented on timesheets, are charged according to the percentage of children being served by the federal, state and/or local funding sources.

Administrative personnel costs, as documented on timesheets, are distributed according to actual hours spent on specific programs as documented in a one-time study each program year. All other hours within programs are charged according to the ratio of state to federal and/or locally funded children enrolled in the various programs.

- **Fringe Benefits:** All fringe benefit costs are allocated to programs and activities each pay period according to the percentage of each person's pay for time worked in each program. Fringe benefits include FICA, State Unemployment, Workers Compensation, Health Insurance, Retirement, and Other Fringe (costs of new employee contingencies and Fit for Duty requirements).
- **Leave Costs:** Leave charges, including PTO, Sick Leave, Bereavement Leave, Administrative Leave, and Holidays are allocated to programs and activities each pay period according to the percentage of each person's pay for time worked in each program.
- **Rental (Mortgage) of Space and Related Costs:** All rentals (and mortgages) of space, plus the related utilities, and telephone costs for the three and four year old program centers are directly charged between the state, federal and/or local funding sources using the enrolled children ratio in the Head Start Program.

All rentals (and mortgages) of space, plus the related utilities, and telephone costs for the zero to three year old program centers are directly charged between the state, federal and/or local funding sources using the enrolled children ratio in the Early Head Start Program.

Rentals (and mortgages) of office space, plus the related utilities, and telephone costs are allocated on an external base of square footage per person performing work for the separate programs. Space allocated for the zero to three, and the three and four year old programs is then further allocated based on the state to federal and/or locally funded ratio of enrolled children in each program.

- **Training:** Training funds are allocated and directly charged as mandated by the funding sources. The Oregon Prekindergarten Program requires that 2.5% of the grant awards be spent on training activities. The Federal Office of Head Start provides specific guidelines for Training and Technical Assistance for all Head Start and Early Head Start programs. All trainings are directly charged to the appropriate funding stream.
- **Other Costs:** All other costs, including Travel, Equipment, Supplies, Repair & Maintenance, and Other Costs are all allocated and directly charged to each appropriately benefited program. The costs for the zero to three, and the three and four year old programs are then further allocated based on the state to federal and/or locally funded ratio of enrolled children in each program.

ACCOUNTS PAYABLE MANAGEMENT

Overview

SOCFC strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the contractor invoice for the related goods or services.
- The contractor invoice should be supported by an approved purchase order where required by Organization policy, and should be matched with receiving paperwork reviewed and approved by the authorized purchaser prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

- Disbursements are properly authorized.
- Invoices are processed in a timely manner.
- Contractor credit terms and operating cash are managed for maximum benefits.

Recording of Accounts Payable

- All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
- Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.
- Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the contractor records.
- Invoices received via email will be printed, date-stamped, and initialed by the Accounting Specialist.
- Any additional copies of the emailed invoice will be deleted.
- No payments will be made from contractor statements (statements will be used for reconciliation and tracking purposes only).

Accounts Payable Cutoff

For purposes of the preparation of the Organization's monthly financial statements, all contractor invoices that are received, approved, and supported with proper documentation by Tuesday of each week shall be processed and recorded for payment on Friday of that week. At the fiscal year end all contractor invoices for goods or services delivered prior to the end of the fiscal year are recorded as accounts payable at year end.

Establishment of Control Devices

The Accounting Specialist establishes control of invoices as soon as they are received. Contractors will be instructed to mail all invoices directly to the Fiscal Department.

Upon receipt, each invoice shall be date-stamped, and matched to the appropriate approval paperwork. If necessary, a copy of the invoice is sent to the department manager for additional approval. In no instance is the original copy of the invoice to leave the Fiscal Department where it is filed according to due date. Unpaid invoices are reviewed weekly to determine which, if any, invoices are missing required approvals.

Preparation of a Voucher Package

Prior to any accounts payable being submitted for payment, a package called a “voucher package” shall be assembled. Each voucher package shall contain the following documents:

1. Contractor invoice (or employee expense report)
2. Packing slip (where appropriate)
3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
4. Purchase order as required by procurement policies
5. Original requisition for purchase order
6. Any other supporting documentation deemed appropriate

Processing of Voucher Packages

The following procedures shall be applied to each voucher package by the Accounting Specialist (A/P):

1. Check the mathematical accuracy of the contractor invoice.
2. Compare the nature, quantity, and prices of all items ordered per the contractor invoice to the purchase order, packing slip, and receiving report.
3. Document the account code distribution, using the Organization’s current chart of accounts.
4. Verify the review and approval of the Department/Area Manager or Director (or their designee) associated with the goods or services purchased.

Approvals by responsible individuals indicate their acknowledgment of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the contractor invoice, agreement with general ledger account coding, and agreement to pay contractor in full. Approvals shall be documented with initials or signatures of the approving individual or by an email from the approving individual’s Agency email address.

Payment Discounts

To the extent practical, SOCFB takes advantage of all prompt payment discounts offered by contractor. When such discounts are available and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reimbursements

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved (by an Agency/Program Director) and completed expense reimbursement form. (See further policies under "Travel and Business Entertainment.") All required receipts must be attached, and a brief description of the business expense must be noted on the form. Expense reimbursements will be processed for payment in the next vendor payment cycle if received prior to the weekly deadline. Expenses older than one month will not be reimbursed. Mileage reimbursements will be reimbursed as an additional item on employees' paychecks and mileage older than three months will not be reimbursed.

The Accounting Specialist will periodically check reimbursement requests against timesheets to ensure agreement of dates and activities.

Reconciliation of A/P Subsidiary Ledger to General Ledger

At the end of each monthly accounting period, the total amount due to contractors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by the Finance Director.

Also on a monthly basis, the Accounting Specialist shall perform the following procedures:

1. Check all statements received for unprocessed invoices.
2. Check the purchase order file for open purchase orders more than 60 days old and follow up.

Management of Accounts Payable Contractor Master File

Upon the receipt of a requisition, purchase order or an invoice from a new contractor that is not already in SOFC's Accounts Payable Vendor Master File, the Fiscal Manager shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the contractor's full address and federal employer identification number.

For all contractors that will be paid less than \$600 during the calendar year, only the Vendor's name and address need to be recorded. For all contractors that may be paid more than \$600 during a fiscal year, the file shall include all of the following data:

- Contractor's legal name and any DBA name(s)
- Street address (payments may be mailed to a P.O. Box, but a street address must be in the file)
- Federal employer identification number
- Telephone number
- Fax number
- Contact name

Payments shall not be made to any contractor whose file does not comply with the preceding requirements.

On an annual basis, contractors that have not been utilized over the preceding 24-month period shall be made inactive in the master contractor (vendor) file. In addition, on an annual basis an internal audit shall be performed of the master contractor file and of payment histories made to each contractor. This analysis, to be performed by the Fiscal Manager shall consist of the following procedures, at a minimum:

1. Cross-checking of contractors with matching street or PO Box addresses
2. Review of payment histories for signs of repeat invoice numbers or other indications of duplicate payments

Any unexplained deviations or irregularities noted in connection with the preceding internal audit procedures shall be reported to the Finance Director for further investigation.

Office of Foreign Assets Control (OFAC) Database Searches

It is the policy of SOCFC to perform a search of the Office of Foreign Assets Control (OFAC) for any non-U.S.-based contractor or payee upon setting that payee up in the accounts payable system and periodically on at least an annual basis thereafter. The OFAC search shall be initiated by the Fiscal Manager using the services of a contractor determined by the Operations Manager, and the results shall be presented to the Finance Director for review, approval, and proper disposition, depending on the outcome of the search.

Verification of New Contractors

The Fiscal Manager will perform additional procedures to validate the legitimacy of new contractors that shall be paid one-time or cumulative payments in excess of \$25,000. For such contractors, the Fiscal Manager or the Operations Manager shall perform a limited public records search and shall contact the contractor to validate its existence. In addition, the Fiscal Manager or the Operations Manager must verify contractor status with the federal System for Award Management (sam.gov).

TRAINING, TRAVEL AND BUSINESS ENTERTAINMENT

Travel Advances

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for training/travel. Out-of-town training/ travel advances are generally limited to per diems unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Organization's travel policies as explained later in this section.

Employees incurring travel expenses must submit receipts (excluding meals) to the Fiscal Department within 15 days of returning from travel.

Employee and Director Out-of-Town Business Travel

At the conclusion of an SOCFC business trip, an employee or member of the Board of Directors that has incurred business-related expenses should submit their expense receipts in accordance with the following policies:

1. Documentation must justify that participation of the traveler is necessary for the Federal award and costs are reasonable and consistent with SOCFC's travel policy. (*2 CFR Part 200.474(b)(1) and (2)*)
2. Identify each separately incurred business expense (i.e., do not group all expenses associated with one trip together).
3. With the exception of tips, tolls, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
4. SOCFC will advance employees at per diem rates established by the General Services Administration (GSA) for the location to which they travel. Therefore, meal receipts are not required.
 - a. It is the Organization's policy that payment for the first and last day of travel will be determined by the specific meals (using the GSA tables) that will be eaten away from home (based on time of day for travel).
 - b. If the conference or meeting which the traveler attends provides a meal, the value of that meal as determined by GSA tables will be deducted from that day's per diem.
5. Contractor receipts/invoices must be submitted for all lodging and any expenditure other than meals. Credit card charge slips do not represent adequate supporting documentation—a hotel receipt must be obtained to substantiate all lodging expenditures.
6. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
7. Mileage may be reimbursed at the agency approved rates currently in effect when no agency vehicle is available for the travel.
 - a. For local travel, mileage rates are as negotiated in the Collective Bargaining Agreement.
 - b. For out-of-area travel, mileage rates are determined by fuel mileage rates for an average vehicle calculated by the Operations Administrative Assistant.

8. All receipts will be verified against the original travel request form approved by the Agency/Program Director and the Operations Department.

An employee will not be reimbursed for expense receipts not meeting the preceding criteria. If the travel expenses result in a balance due to SOCF (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction. If the expense results in a balance due to the employee, the employee will be reimbursed through the next accounts payable check issue.

No further travel advances will be issued to any employee who has an outstanding balance due to SOCF from previous business trips.

Reasonableness of Travel Costs

SOCF shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Payment for suites and other upgraded rooms at hotels shall not be allowed unless required by a medical condition. Travelers should stay in standard rooms.
2. Ask hotels for any available discounts – nonprofit, government, or corporate rates.
3. When utilizing rental cars, travelers should rent midsize or smaller vehicles unless safety considerations require a larger vehicle. Rental of a vehicle larger than midsize must be approved by a supervisor. Travelers shall share rental cars whenever possible.
4. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum other than on an Organization cell phone plan.
5. Personal long-distance calls while away on business are not reimbursable, but are allowed on an Organization cell phone if kept to a minimum, such as one nightly call home to family. Personal calls in excess of this shall be reimbursed to the Organization by the employee. (See the section later in this manual for policies related to the use of corporate cell phone.)
6. Reasonable fees for baggage handling shall be reimbursed. Receipts are required.
7. If required by the funding source, foreign travel charged to federal grants must be approved in writing by the funding source prior to travel.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class or the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - a. Require circuitous routing,
 - b. Require travel during unreasonable hours,
 - c. Excessively prolong travel,
 - d. Result in additional costs that would offset the transportation savings, or
 - e. Offer accommodations not reasonably adequate for the traveler's medical needs.

2. First class air travel shall not be reimbursed unless there is a medical reason, and such use must be documented and approved by a supervisor.
3. Memberships in airline flight clubs are not reimbursable.
4. Cost of flight insurance is not reimbursable.
5. At least two quotes from a travel agency and/or an airline should be obtained and attached to the expense report.
6. When flight times or fares are unreasonable and it is preferable for the employee to travel a day early or a day late, the travel Coordinator should provide a total cost comparison showing that the total of the lower airfare plus an extra night's lodging, meals, and incidentals is less costly than airfare without the additional night stay-over.
7. Cost of upgrade certificates is not reimbursable.
8. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable if not paid with agency credit card.
9. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
10. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., SOCFC will not pay for the personal legs of a trip). If the Organization books the flight, the employee must reimburse SOCFC for the personal leg of the flight.
11. Frequent flyer miles will accrue to the traveler, not the Organization.

Temporary Dependent Care Costs (2 CFR Part 200.474(c))

Temporary dependent care costs above and beyond regular dependent care that directly result from travel to conferences are allowable and reimbursable provided that:

1. The costs are a direct result of the individual's travel for the Federal award;
2. The costs are consistent with the non-Federal entity's documented travel policy, defining qualifying care, for all entity travel; and
3. Are only temporary during the travel period.

Spouse/Partner Travel

SOCFC does not reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his or her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

CELL PHONES

Issuance of Corporate Cell Phones

SOCFC recognizes that certain job functions require that an employee be accessible when away from the office or during times outside scheduled working hours. For this reason, SOCFC will provide cell phones to select employees as a working condition fringe benefit. Supervisors of employees who travel frequently on Organization business may request a corporate cell phone for specific employees by contacting the Operations Department. SOCFC will include language in personnel manuals documenting the business reasons for providing employees with cell phones.

Corporate cell phone holders will be required to sign a statement acknowledging that the cell phone shall be used for legitimate organization-related business purposes, shall not be used while driving, and that the cell phone holder agrees to take reasonable precautions to protect the cell phone from loss or theft by storing it in a secure location. Upon approval, a cell phone will be issued bearing the names of both the individual and SOCFC.

While corporate-issued cell phones are intended for Organization-related business use, SOCFC recognizes that occasional personal use may occur. SOCFC employees should make every effort to keep personal use of company cell phones to a minimum (so that the total minutes used are within the minutes allowed within the plan rate). Because such employer-provided cell phones are considered to be a working condition fringe benefit, SOCFC employees' use of the cell phone for personal reasons may be treated as excludable from the employees' income as a de minimis fringe benefit. That is, the value of personal use of an organization-owned cell phone will not be taxable income to the employee.

Cell Phone Use

Employees of SOCFC are prohibited from using a corporate-owned cell phone or similar device, hands-on or hands-free, while driving, whether the business conducted is personal or organization-related. This prohibition includes receiving or placing calls, text messaging, accessing the Internet, receiving or responding to email, checking for or listening to voice messages, or any other uses.

Similarly, employees of SOCFC are prohibited from using their personal cell phone or similar device for business or employment purposes, hands-on or hands-free, while driving a company vehicle.

Cell Phone Plans

The Operations Department will negotiate a master cell phone contract with an approved contractor. All corporate-owned cell phones are to be acquired through the preapproved contractor. Exceptions to this policy may be made due to cell phone area coverage. Any exceptions must be approved by the employee's supervisor. Employees issued a corporate cell phone will estimate their usage needs and identify a plan that best accommodates those needs with the preapproved contractor.

Cell phone plan terms will initially be set based on the employee's anticipated needs.

The Operations Department will monitor usage and recommend adjustments to terms as needed to ensure that the employee is on the most efficient plan based on his or her needs. Initial cell phone plan terms and any subsequent changes in terms will be approved in advance by the Operations Director.

Annually, the employee is required to sign a statement of receipt and acceptance of Personnel Policies and Work Rules, including responsibility for corporate cell phones.

Cell phone holders shall report the loss or theft of a corporate cell phone immediately by notifying the Operations Manager who will notify the cell phone service provider.

Revocation of Corporate Cell Phones

Failure to comply with any of these policies associated with the use of SOCFC's corporate cell phones shall be subject to possible revocation of corporate cell phone privileges. The Operations Director, with the approval of the Executive Director, shall determine whether cell phones are to be revoked.

Employee Cell Phones

Employees and officers needing to make regular legitimate Organization business calls when they are off-site may elect to utilize their personal cell phones for such calls, in lieu of being issued an Organization issued cell phone. Supervisors of employees who travel frequently on Organization business may request a regular reimbursement for specific employees by completing the request form and obtaining approval of a Director and verification of the Fiscal Department.

In addition, employees and officers needing to make period legitimate Organization business calls when they are off-site may elect to use their personal cell phones for such calls. The Organization shall reimburse employees and officers for properly supported and documented business calls charged to personal cell phones in the next Accounts Payable cycle after the proper completion of an expense report.

Personal Cell Phones or Similar Devices at Work

Employees of SOCFC are asked to minimize the use of personal cell phones in the workplace. In an emergency situation, employees may carry their personal cell phones in vibrate mode.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

SOCFC prints contractor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All contractor and expense reimbursement checks shall be produced in accordance with the following guidelines:

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all contractors shall be paid within 30 days (or less to avoid finance charges) of submitting a proper invoice upon delivery of the requested goods or services.
4. Total cash requirements associated with each check run are monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.
6. Checks shall be utilized in numerical order and unused checks are stored in a locked file in the locked storage room adjacent to the Fiscal department.
7. Checks shall never be made payable to "bearer" or "cash."
8. Checks shall never be signed prior to being prepared.
9. Upon the preparation of a check, contractor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Check Signing

Checks require a single signature, which is printed by the accounting system during processing. Checks of \$5,000 or more require additional approval of an Agency/Program Director prior to preparation. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

Checks shall be approved by an individual other than the one who approved the transaction for payment.

Approvals for checks should be done prior to processing the check and should include an examination of all original supporting documentation to ensure that each item has been properly checked prior to approving a check. Checks should not be processed if supporting documentation appears to be missing or there are any questions about a disbursement.

Equipment that can be used to sign checks (plates, stamps, CD, etc.) will be kept in a locked file in the locked storage room adjacent to the Fiscal Office. Access to the equipment shall be restricted to the

Finance Director, the Fiscal Manager and the Payroll Manager. The Accounting Specialists will request the equipment as needed. The Executive Director will review check run and supporting documentation, and initial approval.

Use of Positive Pay System

SOCFC utilizes a “Positive Pay” system with its financial institution for all checks drawn on the operating account. With this system, the Fiscal Manager or Payroll Manager electronically communicates to the financial institution a list of check numbers, amounts, and payees in connection with each check run. The financial institution shall then notify the Finance Director if any check is presented for payment that does not match the three characteristics for valid checks.

Mailing of Checks

After signature, checks are returned to the Accounting Specialist who prepared them. The Specialist then locks the checks in the fireproof safe prior to mailing checks on Friday morning. Checks shall not be mailed by or returned to the individuals or departments that authorized the expenditures.

Board Review

Each month, the Board Treasurer will review the voucher/check register to provide additional oversight of Organization expenditures. The Finance Director or another knowledgeable Fiscal staff member will be present and make available to the Treasurer all supporting documentation needed to answer any questions regarding the month’s payments.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID.” All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders (or a negative positive pay electronically communicated to the financial institution) may be made for checks lost in the mail or other valid reasons. Stop payments are processed by on-line banking instruction and verified by written authorization to the bank by accounting personnel with this authority. A “Void Check” entry is made to record the stop payment; and any related bank fees are recorded along with any other monthly banking fees.

Recordkeeping Associated with Independent Contractors

SOCFC shall obtain a completed Form W-9 or equivalent substitute documentation from all contractors to whom payments are made (see “Accounts Payable Management” policies). A record shall be maintained of all contractors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.

Control Grid – Purchasing and Disbursements

SOCFC strives to maintain adequate segregation of duties in its purchasing and disbursements functions. The following table illustrates how responsibilities have been assigned. In this table personnel are identified as follows:

- DM. Department Directors/Managers
- OD. Operations Department Staff
- AS. Accounting Specialist
- FM. Fiscal Manager
- FD. Finance Director and/or Executive Director

Duty	DM	OD	AS	FM	FD
Inputs data into contractor master file				X	
Obtains Form W-9 from new contractors				X	
Initiates purchases	X				
Authorizes purchases/prepares requisition	X				
Prepares purchase order (Purchasing Spec.)		X			
Approves purchase order (Operations Mgr.)		X			
Prepares request for proposal		X			
Administers collection of proposals (Ops AA)		X			
Evaluates proposals		X		X	X
Selects contractor – depends on purchase	X	X		X	
Receives contractor invoice (Fiscal AA)			X		
Approves contractor invoice	X	X	X	X	X
Assigns general ledger coding			X		
Inputs invoice into A/P system			X		
Selects A/P to be paid				X	X
Runs A/P checks				X	
Reviews checks (ED approves vouchers)					X
Signs checks (computer generated in MIP)				X	
Mails checks			X		
Maintains custody of unused checks					X
Reconciles A/P to general ledger				X	
Performs bank reconciliation				X	
Reviews cancelled checks					X
Reviews bank reconciliations					X

CREDIT CARDS/PURCHASING CARDS

Issuance of Corporate Credit Cards or Purchasing Cards

SOCFC recognizes that there will be occasions when employees need to use a corporate credit card for travel or purchases. Therefore, SOCFC will obtain credit cards issued in the names of Directors and Department Managers, upon approval from the credit card company, bearing the names of both the individual and SOCFC.

Credit Cards will not be in the employee's possession, but will be available to be checked out by employees when needed for travel or purchases. The cards will be stored in a locked file within the Operations Department, and will be temporarily assign them to users.

SOCFC employees who travel frequently on Organization business may request to check out a corporate credit card by receiving approval from their supervisor and the Operations Department. Card credit limits will be established by the Fiscal Department and kept to a minimum as determined by the Finance Director. Credit Cards will be returned to the Operations Department immediately upon return from approved use.

Cardholders will be required to check out the card for travel or purchases and acknowledge the following:

- The card shall be used exclusively for legitimate Organization-related business purposes.
- The cardholder will avoid splitting purchase or service costs over multiple transactions to circumvent the single transaction limit.
- The cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location, and understands the actions to take in case of theft or loss.
- The cardholder will follow all required procurement policies and procedures, including obtaining an approved Purchase Order for all non-travel purchases.
- The cardholder understands and agrees to disciplinary procedures for misuse of the card.

Processing of Credit Card Payments

Every month, the Accounting Specialist will process the credit card payment by matching each charge on the statement to the approved Purchase order detailing the expenditures that were charged to the corporate credit cards. The Accounting Specialis will review this statement for any unexplained or unauthorized uses of any card, which will be verified against the check-out list in the Operations Department by date of the charge in question. Cardholders will be contacted to resolve the unexplained charge.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the Finance Director for further investigation with the credit card provider.

Personal use of corporate credit cards is strictly prohibited. Any personal use will subject the employee to the Organization's disciplinary actions discussed earlier in this manual and in the Personnel Manual

The Executive Director will review and approve all credit card statements monthly.

The Fiscal Manager shall prepare a detailed credit card report monthly for review by the Board of Directors and Policy Council.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the Operations Manager, who will notify the credit card company, as well as the Finance Director.

Revocation of Corporate Credit Cards or Purchasing Cards

Failure to comply with any of these policies associated with the use of SOCF's corporate credit cards shall be subject to possible revocation of credit card privileges. The Finance Director, with the approval of the Executive Director, shall determine whether credit card or purchasing card privileges are to be revoked.

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

SOCFC considers all relevant facts and circumstances regarding the relationship between the Organization and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between SOCFC and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

The Organization's Finance Director in consultation with the Human Resources Director shall make the final determination.

Wage Comparability Study

SOCFC will perform wage comparability studies at least every three years to ensure the salary and wage structure is similar to other organizations of like size, services provided and employee base in our area. Please see the Organization's Human Resources policy manual for details.

Review and Approval of Senior Management Compensation

In connection with the salaries and benefits of senior management (to include the Executive Director and Agency/Program Directors), a triennial study shall involve the purchase of a salary and benefits survey conducted by an independent agency. The analysis of senior management salaries and benefits shall be conducted under the direction of the Personnel Committee of the board of directors. If an appropriate survey cannot be located, the Personnel Committee shall consider utilizing a salary and benefits consulting specialist firm or conducting its own customized comparison with similar organizations.

Although the formal comparison with external data shall be performed at least once every three years, the Personnel Committee shall document its consideration and authorization of the salaries and benefits of senior management on an annual basis, prior to the beginning of each fiscal year.

Payroll Administration

SOCFC operates on a biweekly payroll. Personnel records are established and maintained in the Human Resources Department for all employees with current documentation, as described throughout this section and more fully described in SOCFC's Human Resources Manual.

The following forms, documents, and information shall be obtained and included in the personnel files of all new employees:

1. SOCFE Employment Application (and resume, if applicable)
2. Applicant references (work & personal)
3. Interview questions and notes
4. Form I-9 Employment Eligibility Verification
5. Starting date and scheduled hours
6. Job title and starting salary
7. Job description

In addition the following forms will be kept in the payroll files in the Fiscal Department:

1. Form W-4 Employee Federal (and State) Withholding Certificate
2. HR Payroll Notice, containing job title, starting date, scheduled hours, location, and wage rate
3. Authorization for direct deposit of paycheck, along with a voided check.

Each employee personnel file shall also indicate whether the employee is exempt or non-exempt from the provisions of the Fair Labor Standards Act.

For all Organization employees, the employee personnel files must also include a pre-employment background check and renewals as required by state regulations. No employee is allowed to work in any capacity without a current valid background check.

Changes in Payroll Data

All of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the Human Resources Director.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

Documentation of all changes in payroll data shall be maintained in each employee's payroll file.

Employee Health Insurance

The Human Resources Manager is responsible for maintaining and reconciling the health insurance program for employees. Prior to the beginning of the program year (September), open enrollment occurs for changes to dependent coverage. The HR Manager calculates the cost of dependent

coverage by determining the difference between the employee coverage paid by the Organization and the employee and dependent cost for the 12 month year. This difference is divided by the number of pay periods for which the employee will receive compensation (18 pay periods). Late enrollees are prorated accordingly.

The employee is given the option of a pre-tax payroll deduction in a Section 125 Plan or having post tax payroll deductions. The employee deductions are reconciled each pay period by the Payroll Manager during the payroll process.

Each month prior to the payment of Health Insurance premiums, the Fiscal Manager reconciles the billing statement to the records from Human Resources and Payroll.

COLA Checks (Retroactive Pay)

The Federal COLA grant is written each spring (or when directed by the funding source) and provides for employee salary increases retroactive to November 1st (the beginning of the grant year) or as directed by the grant. The Payroll Manager will prepare a report from the Payroll module of the Accounting System to provide employee hours and gross wages to date for any authorized retroactive pay increase. Retroactive COLA increases are not guaranteed and are dependent on annual funding levels; the Federal DHHS Office of Head Start provides both the total amounts and guidelines for assigning these dollars.

Upon receiving the COLA grant's approval (Notice of Award or NOA) the Organization will issue retroactive checks to all full-time and part-time employees who are employed at the time of the COLA check issuance or have completed their scheduled days for the program year. The individual amounts are determined by taking the approved COLA percentage of increase and multiplying it by the employee's year-to-date gross pay to calculate the gross pay for the retroactive COLA check. This takes into account any temporary pay rate adjustments during the year.

The rate of pay is then adjusted for subsequent pay periods, (to also include non-retroactive COLA grant awards).

Payroll Taxes

The Fiscal Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid.

Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Personnel Activity Reports

SOCFC follows the requirements in 2 CFR Part 200.430(i), Standards for Documentation of Personnel Expenses, as well as requirements in specific grants.

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

1. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
2. Be incorporated into the official records of the Organization;
3. Reasonably reflect the total activity for which the employee is compensated;
4. Encompass both federally assisted and all other activities compensated by the Organization on an integrated basis;
5. Comply with the established accounting policies and procedures of the Organization; and
6. Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect cost activities which are allocated using different allocation bases; or an unallowable activity and an direct or indirect activity.

Preparation of Timesheets

Each SOCFC employee must submit to the Fiscal Department an approved timesheet in the electronic time and attendance system no later than Monday at 5:00 pm following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets shall be prepared electronically in the time and attendance system.
3. Errors to electronic timesheets can only be corrected by the supervisor, with notations in the time and attendance system.
4. Employees shall identify and record hours worked based on the nature of the work performed.
5. Compensated absences (PTO, holiday, sick leave, etc.) should be clearly identified as such.
6. Timesheets shall be verified by the employee prior to submission.
7. A paper timesheet will be completed in ink by an employee not currently entered into the electronic system.

After preparation, the employee's supervisor shall approve timesheets prior to submission to the Fiscal Department. Corrections identified by an employee's supervisor shall be authorized by the employee by notation in the electronic time and attendance system.

An Organization employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her supervisor (or management designated alternate). The employee must initial a timesheet submitted in this manner immediately upon his or her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or email by (employee) to (supervisor or designated alternate)." The timesheet shall be approved by the supervisor or the designated alternate.

Processing of Timesheets

The Fiscal Administrative Assistant will process the timesheets by checking them for completeness and available leave balances. The Payroll Manager then enters all timesheets into the accounting system. Timesheets are electronically uploaded into the accounting system, and reviewed carefully and correction made for items that may not have transferred correctly (such as for employees with more than one type of work activity).

The Fiscal Administrative Assistant and Payroll Manager may not change or correct timesheets other than for available leave balances. When errors are noted, the Fiscal Administrative Assistant will notify the employee and/or employee's supervisor to resolve the error.

Tampering with, altering, or falsifying time records, recording time on another employee's time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including discharge.

Review of Payroll

Upon production of all payroll reports and checks by the Payroll Manager, the Fiscal Administrative Assistant compares the paychecks and direct deposit voucher with the timesheets. The Executive Director reviews payroll prior to its distribution to employees. The Finance Director shall sign the payroll register indicating approval of the payroll.

Distribution of Payroll

Payroll payments on live checks shall be distributed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll. Check stubs for electronic deposits are automatically emailed to the individual employee's official agency email address by the accounting system as part of the payroll processing.

Retirement Reporting for Employer Contribution for Eligible Employees

After the fiscal year end, the Finance Director will prepare a report listing all employees eligible for the employer contribution, their total salary and hours worked for the past fiscal year. An estimated contribution is calculated based on the 5% of salary for eligible employees and an additional 10% for eligible directors. This estimate is recorded as Retirement Payable for fiscal year end. The report is then provided to the Human Resources Manager who will review, add birth dates, termination dates, LOA status, etc. and send the listing to Mutual of America for verification of eligibility. The verified list of contribution amounts for each employee will then be returned to the Finance Director, who will authorize the payment to be made to each employee's account with Mutual of America.

Internal Audit of Payroll Data

SOCFC will conduct an annual internal audit of certain payroll data. This internal audit shall be performed by the Organization's Finance Director. The purpose of this internal audit is to determine the integrity of the Organization's payroll records. The internal audit shall include the following procedures:

1. Tracing a sample of salaries, withholdings, deductions, and direct deposit information to supporting documentation in each selected employee's payroll and/or personnel file.
2. Tracing a sample of new hires and departures to personnel files, including verification of first and last pay dates.
3. Cross-checking the payroll master files for employees with identical addresses, social security numbers, or direct deposit bank account information.

Any unexplained deviations found as a result of these internal audit procedures shall be reported to the Human Resources Director and/or Executive Director.

Control Grid – Payroll and Human Resources

SOCFC strives to maintain adequate segregation of duties in its payroll and human resources functions. The following table illustrates how responsibilities have been assigned. In this table, personnel are identified as follows:

- HRD. Human Resources Director
- HRM. Human Resources Manager
- FAA. Fiscal Administrative Assistant
- PM. Payroll Manager
- FD. Finance Director and/or Executive Director

Duty	HRD	HRM	FAA	PM	FD
Authorizes new hires	x				
Authorizes salary adjustments	x				
Authorizes benefit deductions		x			
Authorizes terminations	x				
Sets up new employee in P/R system				x	
Enters salary adjustments to P/R system				x	
Enters direct deposit info. in P/R system				x	
Deletes terminated employees from P/R				x	
Reviews changes to payroll master file			x		
Approves timesheets (after supervisors)			x		
Imports timesheets into accounting system				x	
Reviews input of timesheet data			x		
Reviews distribution of time					x
Reviews payroll register					x
Prints checks (or pay stubs)				x	
Signs payroll checks (computer generated)					
Reviews paychecks (Executive Director)					x
Compares paychecks to timesheets			x		
Distributes checks (pay stubs)			x		
Has access to unused payroll checks					x
Prints annual W-2 forms				x	
Reviews annual W-2 forms					x
Distributes annual W-2 forms			x		

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check and payroll disbursements. All cash and credit card deposits are made to this account.

All advances of federal funds shall be deposited into this operating account and any interest earned in excess of \$500 shall be returned to the awarding agency. Interest earned on such funds will be allocated to federal awards based on the percentage of funds received during the month for each award.

Corporate Cash Savings Account:

The Organization also maintains a savings account designated as Corporate Cash to be used as authorized by the Board. Transfers to or from the savings account for operating needs shall be initiated by the Finance Director and authorized by the Board Treasurer.

Health Insurance Trust Account:

The Organization also maintains an account solely for the payment of Health Insurance claims by employees processed by a contracted Third Party Administrator. Health Insurance premiums are deposited into the account each month to cover claims expenses. The balance in the Health Insurance Trust should never be greater than the anticipated annual claims as determined by an actuary provided by the Third Party Administrator.

Parent Reimbursement Accounts:

The Organization also maintains separate small petty cash checking accounts for the LISTO program, for parent reimbursements for mileage and childcare costs authorized for Policy Council service, and for MIECHV services.

Authorized Signers

The following SOFCF personnel are authorized by the Board to sign checks drawn on the general operating and health insurance trust accounts:

1. Executive Director
2. Head Start Director
3. Early Head Start Director

The Finance Director will promptly notify the Organization's financial institutions of changes in authorized signatures upon the departure of any authorized signer.

Bank Reconciliations

Bank account statements are received each month and forwarded unopened to the Finance Director. The Finance Director shall open the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual or unexplained items shall be reported immediately to the Board Treasurer and the Executive Committee.

After this review is complete, the entire bank statement is forwarded to the Fiscal Manager, who prepares a reconciliation between the bank balance and general ledger balance. The bank reconciliation process will be completed within one week of receipt of each bank statement.

The reconciliation process shall involve a review of the images of cancelled checks returned with the bank statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. The front and back of any questionable images will be examined at the on-line banking site.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Finance Director on a monthly basis.

Bank reconciliations, cancelled checks, and copies of resulting journal entries are filed in the current year's accounting files.

Cash Flow Management

On a daily basis, the Fiscal Manager will access the on-line banking service to review the balance of each Organization account and will advise the Finance Director of any concerns. The Finance Director monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts, as described above, are performed on an as-needed basis.

SOCFC adheres to the requirements of its grants which may prohibit loaning funds between programs; therefore, cash management and reporting is performed at the program level as well as for the Organization as a whole.

Stale Checks

SOCFC will write off non-payroll checks of \$50 or less that are more than 6 months old that have not cleared the Organization's bank. For uncashed checks that are more than 6 months old and that exceed \$50 (or are a payroll check), contact will be made with the payee to resolve the issue.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written or the expenditure

incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to miscellaneous income in the current grant of the same funding source.

SOCFC will also comply with the Oregon laws regarding unclaimed property. Accordingly, if uncashed checks are subject to a state reporting and transfer requirement, the Organization shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction.

Petty Cash

SOCFC will provide imprest funds for valid, minor office, classroom, or FA expenditures (not for travel or employee advances) to be used only for valid transactions, and to periodically replenish these funds up to its authorized balance of \$50 or \$100, depending on location and need. The Petty Cash Custodian at each location is responsible for ensuring that the petty cash fund is locked at all times.

All disbursements from the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts are required for all disbursements from petty cash.

The Petty Cash Custodian shall prepare a reconciliation of the petty cash account on a periodic basis and whenever requesting replenishment of Petty Cash. The reimbursement request must be accompanied by all relevant receipts and be signed by the Petty Cash Custodian and the Site Supervisor.

Petty cash reconciliations are subject to review by the Fiscal Manager, who may also perform periodic surprise audits of cash counts and reconciliations.

Wire Transfers

Currently, no SOCFC employee is authorized to transact wire transfers from SOCFC bank accounts. To authorize any future wire transfers requires approval by both the Finance Director and the Executive Director directly to the bank, who will assign pass codes and other requirements.

INVENTORY OF MATERIALS AND SUPPLIES

Description of Inventory

SOCFC maintains an inventory of non-consumable materials, supplies & equipment.

Accounting for Inventory

SOCFC maintains the inventory records in a ledger maintained in the Operations Department separate from the Organization's accounting records. (Fixed Assets are recorded in the Organization's accounting system and addressed later in this manual.)

Physical Counts

It is the policy of SOCFC to perform a physical count of inventory of non-consumable supplies on an annual basis. Any items that appear damaged, obsolete, or otherwise unusable shall be removed from service and excluded from the counts. Those unusable items shall be disposed of in a manner consistent with Organization procedures. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory and provided to the Operations Department.

Contributed Inventory

Inventory items donated to SOCFC shall be recorded as assets of the Organization at the fair market value as of the date of the contribution. Contributed inventory items shall be subject to the same physical counting and other policies as purchased inventory items.

PREPAID EXPENSES

Accounting Treatment

SOCFC treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as noncurrent assets.

Examples of prepaid expenses include, but are not limited to, liability insurance premiums and software user/maintenance fees.

Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming contractor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, at fiscal year end a journal voucher shall be prepared to record the payment to a prepaid expense account code for GAAP purposes.

The Fiscal Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the annual closeout process.

INVESTMENT POLICIES

Introduction

SOCFC treats all assets of the Organization, including those funds that are legally unrestricted, as though they are held in a fiduciary capacity for the purpose of accomplishing the Organization's tax-exempt mission. Hence, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards shall be those of a prudent investor.

This Investment Policy has been arrived at upon consideration by the Investment Committee of the Board, and describes the prudent investment process the Investment Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

Funds to be invested do not include those from federal awards. Such funds will be spent on program requirements as budgeted or returned to the awarding agency. Any advances of federal funds will be maintained in an interest-bearing account. Interest earned on such funds, up to \$500 per year, will be allocated to federal grants based on a percentage of funds received during the month, and any additional interest will be returned to the Federal Payment Management System.

Delegation of Authority

The Board of Directors of SOCFC has delegated supervisory authority over its investing activities to the Investment Committee. The Investment Committee is responsible for regularly reporting on the Organization's investments to the full Board of Directors.

The Investment Committee is authorized to retain one or more Investment Counselors to assume the investment management function. In that regard, the Investment Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more Investment Counselors.

Investment Objectives

SOCFC's investment objectives are the preservation and protection of the Organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments for the Organization. The target allocation shall be 60% in Growth/Equity investments and 40% in Fixed Income/Cash & Cash Equivalents investments.

Allowable Investments

Investments of SOCFC shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$250,000 including interest, at commercial banks or savings and loan institutions.
2. U.S. Treasury securities and securities of federal agencies and instrumentalities.

3. Repurchase agreements with financial institutions, collateralized by U.S. Treasury or federal agency securities.
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors.
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors.
6. Money market funds that invest in securities approved under these guidelines.
7. Mutual Funds of moderate to low risk.

SOCFC shall not engage in margin transactions, short selling, commodity transactions, or use of derivatives.

Diversification

The Investment Committee will be able to direct the account balances among a range of investment options to construct a diversified portfolio of investments that reasonably span the risk/return spectrum, as described in SOCFC's Written Investment Policy Statement.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to SOCFC shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined in the section on Contribution Accounting in this manual.

Subsequent to acquisition, SOCFC carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of SOCFC on a monthly basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments (or from investments purchased with contributed funds) shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier. Such unrealized gains and losses from investments purchased with unrestricted funds shall be classified as unrestricted.

Procedures and Reporting

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of SOCFC and accurately reflect the current financial condition of the Organization:

1. The Finance Director shall maintain a schedule of investments and the Fiscal Manager shall reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:
 - a. Date acquired

- b. Method of acquisition (purchase or donation)
 - c. Cost or basis at acquisition
 - d. Description of investment
 - e. Interest rate (if applicable)
 - f. Date of maturity (if applicable)
 - g. Holder/issuer of security
 - h. Current market value
 - i. Unrealized gain or loss
 - j. Accrued interest receivable (if applicable)
 - k. Income received, year-to-date (i.e., interest, dividends, etc.)
2. The Finance Director and Investment Counselor shall prepare a schedule of investments for presentation on a semi-annual basis for the Investment Committee and on an annual basis for the Board of Directors.
 3. The semi-annual investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
 4. The annual investment report shall be presented to the Board of Directors, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices. The report will show results for the most recently-completed fiscal year and for the prior fiscal year.
 5. Investment policies shall be reviewed annually by the Finance Director and the Executive Director, working with the Investment Committee, to determine any appropriate modifications.
 6. Recommendations for any revisions or modifications to the investment policy will be made by the Investment Committee to the Board of Directors for their approval.

PROPERTY AND EQUIPMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5,000 are capitalized as property and equipment on the Organization's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

If an awarding agency requires a lower amount for equipment, SOCFC will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets will be capitalized and depreciated according to these policies.

Contributed Assets

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to SOCFC shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Equipment and Furniture Purchased with Federal Funds (2 CFR Part 200.313)

SOCFC may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to federal awards will be subject to certain additional policies as described below.

For purposes of federal award accounting and administration, *equipment* shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by SOCFC, described under Asset Management.

All purchases of *equipment* with federal funds shall be approved, in advance and in writing, by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.

2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, SOCFC shall retain the equipment without any requirement for notifying the federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, SOCFC shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs not to exceed \$500, to the federal agency. (2 CFR Part 200.313(e))
4. The Agency/Program Director shall determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by SOCFC.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: (2 CFR part 200.313(d)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the funds used to purchase the equipment, including the federal award number, if applicable
5. Whether the title vests in the Organization or the federal government
6. Information to calculate the federal share of the cost of the equipment, if applicable
7. Location, use and condition of asset
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by SOCFC. This physical inventory shall be reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Finance Director.

Receipt of Newly Purchased Equipment and Furniture

At the time of arrival, all newly purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the contractor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

Depreciation and Useful Lives

All capitalized assets are maintained in the special property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method of depreciation.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the fifteenth day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	Up to 10 years
General office equipment	5 years
Computer hardware and peripherals	3–5 years
Computer software	2–3 years
Leased assets	Life of lease
Leasehold improvements	Remaining lease term

Alternatively, useful life of an asset may be determined on a per asset basis based on an evaluation by the Operations Manager and approved by the Finance Director.

For accounting and financial reporting purposes, depreciation expense will be recorded on an annual basis.

Changes in Estimated Useful Lives

If it becomes apparent that the useful life of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes in estimated useful lives of capitalized assets must be approved by the Finance Director.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in the Organization's statement of activities.

For example, if in the fourth year of an asset's life, it is determined that the asset will last five years instead of the original estimate of seven years, depreciation expense for that year shall be equal to the difference between $4/5$ of the asset's basis (accumulated depreciation at the end of year four) and $3/7$ of the asset's basis (accumulated depreciation at the beginning of the year).

Repairs of Property and Equipment

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Dispositions of Property and Equipment

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value). Permission must be obtained from the Federal awarding agency to dispose of an asset with a fair market value of greater than \$5,000 purchased with Federal grant funds.

Write-Offs of Property and Equipment

The Finance Director approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Finance Director. If not located, this property will be written off the books with the proper notation specifying the reason.

LEASES

Classification of Leases

SOCFC classifies all leases in which the Organization is a lessee as either capital or operating leases. SOCFC shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to SOCFC at the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the estimated economic life of the leased property.
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of SOCFC's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Reasonableness of Leases

SOCFC assesses the value of leases according to the requirements of 2 CFR Part 200.465, Rental Costs of Real Property and Equipment, considering the following factors:

- The rate is reasonable when compared to similar property in the same area.
- The rate of any alternatives.
- The type, life expectancy, condition, and value of the property leased.

Rental arrangements will be reviewed every 5 years to determine if circumstances have changed and other options are available.

Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the lease payment is due. For leases with firm commitments for lease payments that vary over the term of the lease (i.e., a lease with fixed annual increases that are determinable upon signing the lease), the amount that SOCFC shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, SOCFC shall record a capitalized asset and a liability under the lease,

based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

SOCFC shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

Changes in Lease Terms

As described in earlier policies, leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, SOCFC will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.

SOFTWARE ACQUISITION AND DEVELOPMENT COSTS

Costs to Be Capitalized

Certain costs incurred in connection with the acquisition or development of internal-use software shall be capitalized and reported as an asset of the Organization. Those costs that shall be capitalized are those that are in excess of the Organization's capitalization threshold (explained earlier) and that meet any one of the following criteria:

1. External direct costs (i.e., amounts paid to contractors) of materials and services for developing or obtaining internal-use software ("developing" to include design, coding, installation, and testing).
2. Internal payroll and related costs (employee benefit costs) for employees who are directly associated with, and who devote time to, an internal-use software project (i.e., the same types of software development costs described above).
3. Interest costs incurred in developing software.
4. Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

Costs that are capitalized in connection with the preceding policy shall be included as assets on the Organization's property and equipment listing, and shall be amortized over an estimated useful life in accordance with the previously stated policies on depreciation and amortization.

Costs to Be Expensed As Incurred

Many costs associated with acquiring or developing internal-use software are to be expensed as incurred, rather than capitalized, including:

1. External and internal costs incurred in the preliminary project phases, such as costs associated with making decisions to allocate resources to the project, determining performance requirements and specifications, and reviewing and selecting contractors and consultants.
2. Research and development costs.
3. General and administrative costs.
4. Data conversion.
5. Training costs.
6. Internal maintenance costs.

WEBSITE COSTS

Costs to Be Capitalized

Certain costs incurred in connection with the development of the Organization's website shall be capitalized and reported as an asset of the Organization. Those costs that shall be capitalized are those that are in excess of the Organization's capitalization threshold (explained earlier) and that meet any of the following criteria:

1. Application and infrastructure development costs, including:
 - a. Development or acquisition of any software necessary to develop or operate the website (e.g., HTML editor software, graphics software, etc.)
 - b. Development or acquisition and customization of code for web applications (e.g., search engines, order processing systems, etc.)
 - c. Development or acquisition and customization of database software needed to integrate applications
 - d. Development of HTML web pages or development of templates and writing of code to automatically create HTML pages
 - e. Obtaining and registering an Internet domain name
 - f. Installation of developed applications on the server(s)
 - g. Creation of initial hypertext links to other websites or to destinations within the Organization's site
 - h. Testing the site applications
2. Graphics and content development costs, including the initial creation of graphics to be used on the site, the design or layout of each page, color images, and the overall look and feel and usability of the site (e.g., buttons, borders, etc.), but NOT including the initial loading of content into the site, the costs of which are to be expensed as incurred.

Costs that are capitalized in connection with the preceding policy shall be included as assets on the Organization's property and equipment listing, and shall be amortized over an estimated useful life in accordance with the previously stated policies on depreciation and amortization.

Costs to Be Expensed As Incurred

Many costs associated with the Organization's website are to be expensed as incurred, rather than capitalized, including the loading of content into the designed pages, as well as:

1. Planning stage costs, such as:
 - a. Development of a project or business plan
 - b. Determining functionalities or specifications of the site
 - c. Determining hardware and technology requirements
 - d. Conceptual formulation of graphics and content
 - e. Evaluation and selection of contractors
 - f. Addressing legal considerations, such as copyright and trademark issues

2. Operating costs, such as:

- a. Training employees involved in support of the site
- b. Registering the site with search engines
- c. User administration activities
- d. Updating site graphics
- e. Performing backups
- f. Creating new links
- g. Verifying that links are functioning properly
- h. Adding new functionalities or features (however, see below)
- i. Performing routine security reviews
- j. Performing routine analysis

Certain upgrades and enhancements to the site shall be capitalized and amortized over an estimated useful life. Upgrades or enhancements that result in additional functionality shall be capitalized.

INTANGIBLE ASSETS

Acquisition of Intangible Assets

Intangible assets include a variety of items, such as copyrights, service marks, trademarks, license agreements, photographs, videos, and others. The Organization may acquire intangible assets in any of the following manners:

1. Contribution from a donor
2. Purchase from an outside party that holds title to an intangible asset
3. Internally developing an intangible asset through utilization of the Organization's employees, volunteers, and contractors (e.g., an employee writes a document on behalf of the Organization)

Accounting for Intangible Assets

Intangible assets acquired by contribution from donors shall be accounted for as assets measured at fair value at the date of the gift. (See "Fair Value Accounting Procedures" for a description of internal controls over the establishment of fair values.)

Intangible assets acquired by purchase shall be capitalized as assets at the purchase price paid for such assets.

The costs of intangible assets that are developed internally shall be charged to expense (not capitalized) if any of the following criteria are met:

1. The intangible asset is not specifically identifiable.
2. The asset has an indeterminate life.
3. The asset is inherent in the Organization and related to the Organization taken as a whole.

Costs of internally-developed intangible assets not meeting any of the three preceding criteria shall be capitalized. These costs may include salaries, allocated employee benefit costs, consultant fees, and other related costs.

Amortization

Capitalized intangible assets of the Organization shall be classified into one of three categories, as follows:

1. Assets with finite and precise useful lives (such as a license agreement with a fixed term)
2. Assets with finite, but imprecise, useful lives
3. Assets with indefinite useful lives

Intangible assets with finite and precise useful lives shall be amortized over their useful lives, using the straight-line method of amortization.

For intangible assets with finite, but imprecise, useful lives, the organization shall estimate a useful life and amortize the asset over that life, using the straight-line method of amortization.

For either of the two preceding categories of amortizable intangible assets, the Organization shall evaluate the useful life on an annual basis to determine whether an adjustment of the useful life is appropriate.

For intangible assets with indefinite useful lives, the cost of the asset shall remain on the books of the Organization as an asset, without reducing this basis for amortization, until such time as an impairment in the value of the asset is determined to have occurred. See the next section for a description of the Organization's policies and procedures associated with asset impairments.

In addition, intangible assets with indefinite useful lives shall be evaluated on an annual basis for purposes of determining whether the previously indefinite useful life has become finite and estimable (e.g., a copyright that when initially acquired had an indefinite life, but which has become dated and now has a finite remaining useful life). If it is determined that any intangible asset previously accounted for as having an indefinite useful life has become an asset with a finite and estimable useful life, the Organization shall begin amortizing the intangible asset over the estimated remaining useful life (i.e., rather than recording an impairment in the value of the asset).

ASSET IMPAIRMENTS

Long-lived assets of the Organization include personal property and equipment, land, buildings, intangible assets, and other noncurrent assets. In connection with long-lived assets, the organization shall record an impairment loss when the carrying amount (book value, net of any accumulated depreciation or amortization) is both:

1. Not recoverable (via sale, etc.).
2. In excess of the asset's fair value.

Long-lived assets shall be tested for impairment whenever events or changes in circumstances indicate that an asset's carrying value may be impaired. Examples of such events or circumstances that the organization shall consider include:

1. A significant decrease in the market price of a long-lived asset.
2. A significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition.
3. A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action by a regulator.
4. An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset.
5. A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that indicates continuing losses associated with the use of a long-lived asset.
6. A current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

If the organization records an impairment loss in connection with a long-lived asset subject to depreciation or amortization, the reduced basis resulting from recording the loss shall be used as a new basis for calculating future periods' depreciation or amortization.

FAIR VALUE ACCOUNTING

Scope

Throughout this manual, numerous references are made to fair value accounting issues. Examples include the valuation of publicly-traded securities held as investments, valuation of contributed services, other contributed noncash assets, recording of asset impairment losses based on fair value declining below book value.

For purposes of this manual, the term “fair value” shall be defined as it is in SFAS 157: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value shall be performed by the individuals identified in this manual associated with each type of fair value accounting issues. All fair value determinations in excess of \$500 shall be reviewed and approved by the Finance Director.

Disclosures

SOCFC shall comply with the disclosure requirements of SFAS 157, in that it will disclose information in the footnotes to the financial statements that enable readers of the financial statements to assess the inputs used to develop all material fair value measurements associated with assets and liabilities of the organization.

For any asset impairment losses recorded as a result of the policy described earlier, the organization shall disclose the reason for recording the impairment, in addition to the preceding disclosures.

POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

The Accounting Department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by SOCFC at the end of an accounting period are:

- Salaries and wages
- Payroll taxes and benefits
- Vested PTO (see policy below)
- Rent
- Interest on notes payable

In addition, SOCFC shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

Accrued Leave

Personnel policies permit employees to carry forward up to five days (Directors can carry forward up to 20 days) of unused PTO leave from year to year. Such unused leave is payable to an employee upon termination of employment.

Accordingly, SOCFC records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to a maximum of five days at the employee's current COA (Confirmation of Assignment – scheduled work hours/days), multiplied by each employee's current hourly pay rate.

Leave that does not "vest" with employees (i.e., leave that is not paid to employees if unused at the time of termination of employment), such as sick leave, shall not be accrued as a liability.

INCOME TAXES PAYABLE

Accrual of Income Taxes

SOCFC is exempt from federal income taxes. However, if SOCFC generates taxable income from unrelated trade or business activities, a liability for income taxes payable shall be accrued at the applicable corporate income tax rates.

All income taxes payable shall be paid by the due date of the returns on which such income taxes are to be reported. If SOCFC becomes subject to a requirement to remit estimated income taxes on a quarterly basis, such amounts shall be accrued and paid quarterly.

Income Tax Positions

SOCFC takes several “income tax positions” that are reflected in the Organization’s financial statements. The primary income tax positions of SOCFC are:

1. That SOCFC qualifies for its exemption from income taxes under IRC section 501(c)(3) meaning it has not engaged in any activity that could result in revocation of this exemption, including but not limited to:
 - a. Not providing net distributions of profits, or paying compensation that was not earned or is excessive.
 - b. Not making political contributions or engaging in political activities.
 - c. Not exceeding the appropriate lobbying limitations.
2. That none of SOCFC’s forms of revenue is subject to the unrelated business income tax (UBIT).
3. That SOCFC has properly determined which forms of revenue are subject to the unrelated business income tax and which forms of revenue are exempt from UBIT.
4. That calculations of income, deductions, tax credits, and other amounts reported on Form 990-T are in compliance with the Internal Revenue Code and IRS regulations.
5. That SOCFC’s calculations of income, deductions, etc. reported on its state income tax return are in compliance with state laws and regulations.
6. That SOCFC’s allocation of gross taxable income by state is in compliance with all applicable state laws and regulations (i.e., the Organization is filing state returns in each state that would require a return).

It is the policy of SOCFC that all income tax positions taken by the Organization shall meet the “more likely than not” criterion of FIN 48 meaning the Organization’s management believes that it is more likely than not that the applicable taxing authorities would concur with the position taken by the Organization. In reaching this determination, the Finance Director shall perform whatever tax research is considered necessary and shall have the authority to engage the Organization’s independent CPA firm or other outside experts for advice on such matters.

If the Organization receives advice and/or research from an outside party in connection with this policy, the Organization shall make its own final determination of whether or not to take a particular income tax position. In doing so, it shall not blindly rely on outside advice. Rather, the Organization shall gain a complete understanding of the conclusions reached by any outside parties in providing counsel to the

Organization in connection with this policy. Gaining this understanding and forming the income tax positions of SOCFC shall be the responsibility of the Finance Director.

The Finance Director shall provide a briefing to the Budget Committee and obtain the committee's concurrence each time an income tax position is established or changed.

NOTES PAYABLE

General Policy

SOCFC requires that all notes payable be approved by the Board of Directors and signed by the Executive Director.

Recordkeeping

SOCFC maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due within the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as a long-term/noncurrent liability in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

Non-Interest-Bearing Notes Payable

As a charitable organization, SOCFC may, from time to time, receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, SOCFC will record contribution income for any unpaid interest.

For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid. Determination of the appropriate interest rate shall be performed by the Finance Director.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate equal to the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as temporarily restricted contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

NET ASSETS

Classification of Net Assets

Net assets of the Organization shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the Organization permanently maintain certain contributed assets. Generally, donors of such assets permit the Organization to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Permanent restrictions do not pass with the expiration of time, nor can they be removed through the Organization's actions.

Net assets accumulated that are not subject to donor-imposed restrictions, but which the Board of Directors of the Organization has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Restrictions may be associated with either a time period (e.g., a particular future time period) or a purpose (e.g., specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in SOCFC's Articles of Incorporation and Bylaws.

Reclassifications from Restricted to Unrestricted Net Assets

The Organization shall report in its statement of activities a reclassification from restricted to unrestricted net assets if any of the following events occur:

1. Fulfillment of the purpose for which the net assets were restricted (e.g., spending restricted funds for the stipulated purpose)
2. Expiration of time restrictions imposed by donors
3. Death of an annuity beneficiary
4. Withdrawal by the donor (or by a court) of a time or purpose restriction

If a donor stipulates multiple restrictions (such as a purpose and a time restriction), reclassifications from temporarily restricted to unrestricted net assets shall be reported only upon the satisfaction of the final remaining restriction.

Reclassifications from Unrestricted to Restricted Net Assets

If the Organization accepts and receives a restricted contribution from a donor who further stipulates that the Organization set aside a portion of its unrestricted net assets for that same purpose, the Organization shall report in its statement of activities a reclassification of net assets from unrestricted to temporarily or permanently restricted, based on the specific nature of the restriction. (See the preceding Gift Acceptance policy for procedures for determining whether to accept a gift that requires reclassification of net assets from unrestricted to temporarily restricted.)

Disclosures

The Organization discloses in a footnote to the financial statements the different types of temporary and permanent restrictions associated with the Organization's net assets as of the end of each fiscal year.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Organization. Financial statements may reflect year-to-year historical comparisons or current year budget-to-actual comparisons.

The basic financial statements that are maintained on an organization-wide basis shall include:

1. **Statement of Financial Position** – Reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or noncurrent/long-term and net assets by category (unrestricted, temporarily restricted, and/or permanently restricted.)
2. **Statement of Activities** – Presents support, revenues, expenses, and other changes in net assets of the Organization, by category of net asset (unrestricted, temporarily restricted, and permanently restricted), including reclassifications between categories of net assets.
3. **Statement of Cash Flows** – Reports the cash inflows and outflows of the Organization in three categories: operating activities, investing activities, and financing activities.
4. **Statement of Functional Expenses** – Presents the expenses of the Organization in a natural or objective format and by function (i.e., which program or supporting service was served).

Frequency of Preparation

The objective of the Fiscal Department is to prepare accurate financial statements in accordance with generally accepted accounting principles (GAAP) and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced on an annual basis prior to the audit.

Interim financial statements are prepared monthly on the 5th of the following month. The monthly set of financial statements shall be prepared on the cash method of accounting, including all grants receivable recorded by the 5th of the following month. These statements shall include:

1. Statement of Financial Position
2. Statement of Revenues & Expenditures
3. Report of Corporate Cash Expenditures and Corporate Cash Balance
4. Summary Budget-to-Actual Expenditures for each Major Program (including variances)
5. Report of Credit Card Expenditures (detailed)
6. Statement of Revenues & Expenditures by Grant (detailed)

7. Report of Budget to Actual, including Encumbrances by Department and Location

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Finance Director prior to being issued by the Fiscal Department.

After approval by the Finance Director, a set of monthly financial statements, including any supplemental schedules, shall be distributed to the following individuals:

- Board Members, including Treasurer and Executive Director (Statements 1-5)
- Policy Council Members, including HS/EHS Program Directors (Statements 4-5)
- Agency/Program Directors and any other employee with program level budget-monitoring responsibilities (Statements 6-7)
- Department/Area Managers and any other employee with department/location budget monitoring responsibilities (Statement 7)

Financial statements may include an additional supplemental schedule prepared or compiled by the Fiscal Manager. The purpose of this schedule is to provide known explanations for material budget variances in accordance with SOCFC's budget monitoring policies described later in this manual (under the *Financial Management Policies* section).

Budget Variance Analysis and Projections

On a monthly basis, financial statements distributed to Agency/Program Directors with budgetary responsibilities shall be reviewed in a meeting with the Finance Director to discuss variance analysis and projections to determine if budget changes are needed and to determine if awarding agency approval will be needed.

Annual Financial Statements

On an annual basis, the Organization shall prepare, under the direction of the Finance Director, a complete set of GAAP financial statements, including footnotes addressing all disclosures required by GAAP. These financial statements shall be presented to SOCFC's independent auditors at the beginning of their annual audit as the draft statements from which they will conduct their audit.

A formal presentation of the Organization's annual audited financial statements shall be provided by the Independent Auditor to the full Board of Directors at the first monthly meeting following the completion of the audit report. See separate policies regarding the annual audit under "Financial Management Policies."

GOVERNMENT RETURNS

Overview

To legitimately conduct business, SOCFC must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state, and local jurisdictions. Filing requirements of SOCFC include, but are not limited to, filing annual information returns with IRS, state charitable activities reports, annual reports for corporations, information returns for retirement plans and other employee benefits, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

The Finance Director shall be responsible for identifying all filing requirements and ensuring that SOCFC is in compliance with all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by SOCFC include, but are not limited to, the following returns and reports:

1. **Form 990** – Annual information return of tax-exempt organizations, filed with IRS. Form 990 for SOCFC is due on the fifteenth day of the fifth month following year-end. (March 15th) An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Prior to expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868. (Prepared by the Auditor, using information provided by the audited financial statements and the Fiscal Department.)
2. **Form 5500** – Annual return for SOCFC's retirement and employee benefit plans (2 separate returns). Form 5500 is due on the last day of the seventh month after the end of the plan year, (May 31st for Retirement Plan, March 31st for Section 125 Employee Benefit Plan) but a 2½-month extension of time to file may be requested using Form 5558. (Retirement Plan prepared by Mutual of America, Section 125 Plan prepared by the Auditor.)
3. **W-2's and 1099's** – Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and electronically to the federal government by March 31. Generally, Form 1099 is required only if the organization has provided more than \$600 in compensation to an independent contractor during the calendar year. (W-2's prepared by the Payroll Manager, 1099's prepared by the Fiscal Manager.)
4. **Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes withheld. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter. (Prepared by the Payroll Manager.)
5. **Oregon Employment Department Multiple Worksite Report** – Quarterly payroll report that provides total wages and numbers of employees by site. This report is due one month following the end of each calendar quarter. (Prepared by the Payroll Manager.)

6. **Oregon Unemployment Report (O-Q)** – Quarterly payroll report that provides each employee’s hours and wages and reconciles state income taxes withheld for the previous quarter. This report is due one month following the end of each calendar quarter. (Prepared by the Payroll Manager.)
7. **Workers’ Compensation Report** – Annual, Quarterly, or Monthly payroll report (timing varies by plan with provider) that provides a calculation of workers’ compensation based on eligible wages paid. This report is due by the date requested by the provider. (Prepared by the Payroll Manager.)
8. **FFR SF425 Report** – Quarterly report through the Division of Payment Management for the Department of Health & Human Services. This report on the use of federal funds now includes the required elements of the previous PSC272 Report and SF269 Report. The PSC272 section is a quarterly report of total cash receipts, disbursements, and cash on hand at the end of the quarter. The SF269 section is a semi-annual report (plus a final report) of total expenses, including non-federal share and administrative costs that is reconciled to the total federal grant. This report is due 30 days after the end of the calendar quarter. (Prepared by the Finance Director.)
9. **SF 428 (Tangible Personal Property) and SF 429 (Real Property Status) Reports** – Annual Reports of the status of all Organization assets, any part of which that was purchased using Federal grant funds. The reports are due 30 days following the end of each Federal grant year.

SOCFC's fiscal and tax year-end is October 31st. All annual tax and information returns of SOCFC (Form 990) are filed on the accrual basis of reporting.

SOCFC complies with all federal and state payroll tax requirements by withholding and electronically remitting payroll taxes through EFTPS to the Department of the Treasury and the state of residency of each SOCFC employee.

Review of Form 990 by Board of Directors

A draft of SOCFC’s annual Form 990 information return shall be reviewed and approved by the Board of Directors prior to being filed with the Internal Revenue Service. This review and approval shall be documented in the Board minutes.

Public Access to Information Returns

Under regulations that became effective in 1999, SOCFC is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A.
2. SOCFC's IRS Letter of recognition of its tax-exempt status as a 501(c)(3) Public Charity.
3. The most recent Audited Financial Statements and Audit Report.

SOCFC adheres to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of SOCFC during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Finance Director shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received by SOCFC, the Organization may require prepayment of all copying and shipping charges. For requests for copies that are received without prepayment, SOCFC will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. The copying cost charged for providing copies of requested forms shall be \$1.00 for the first page and \$0.15 for each subsequent page. All copies shall be shipped to the requester via Priority Mail, thus, shipping charges will be the standard USPS Priority Mail fee per shipment.
4. After payment is received, all requested copies shall be shipped to the requester within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the Fiscal Department.
5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.
6. SOCFC shall accept certified checks, money orders, or cash for requests for copies made in person. SOCFC shall accept certified checks, money orders, or personal checks as payment for copies of forms requested in writing.
7. Also, SOCFC shall make the above forms widely available by posting all required forms on the Organization's website (socfc.org) and referring all requesters to this website within 7 days of receipt of any request for copies. In addition to making its returns widely available on its website, SOCFC will also permit visual inspections of its returns to anyone personally appearing at the Organization's offices during normal working hours and making such a request.

TRANSACTIONS WITH INTERESTED PERSONS

Identification of Interested Persons

In connection with complying with requirements of the Internal Revenue Code and the Form 990 information return, the Organization shall identify all individuals and entities qualifying as *interested persons* as defined by the IRS:

1. All current officers, directors, trustees, and key employees (individuals required to be listed on the Form 990)
2. All former officers, directors, trustees, and key employees
3. Substantial contributors (a person required to be listed on Schedule B of the Form 990)
4. Family members of any individual listed in 1, 2, or 3, defined as spouses, ancestors, brothers, sisters, children, grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren
5. A 35% controlled entity of any of the persons listed in 1, 2, or 3
6. A donor or donor advisor to a donor-advised fund
7. An investment advisor of a sponsoring organization

Record of Transactions with Interested Persons

The Organization shall maintain a record of all transactions and balances with interested persons for each fiscal year for purposes of disclosure on the Form 990. This record shall be reviewed and approved by the Finance Director and provided to the Form 990 preparer.

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

SOCFC shall properly identify and classify income-producing activities that are unrelated to the Organization's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger in order to facilitate tracking and accumulation of unrelated trade or business activities.

Allocation of Expenses to Unrelated Activities

In addition to segregating income associated with activities that are unrelated to SOCFC's exempt purpose, the Organization's general ledger shall also provide accounts for expenses associated with each such unrelated activity. These expenses shall be offset against unrelated business revenue in arriving at unrelated business taxable income. Expenses that shall be offset against gross unrelated business income shall be limited to those expenses directly associated with the production of such income, including reasonable allocation of indirect costs that benefit each activity, in accordance with expense allocation policies described elsewhere in this manual.

Reporting

SOCFC will file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is subject to public access and disclosure requirements. Please see Public Access to Information Returns above.

SOCFC shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes on the appropriate return (Oregon CT-12).

JOINT VENTURES

SOCFC will evaluate and negotiate potential participation in joint ventures under Federal tax law to ensure that any proposed venture safeguards the Organization's tax-exempt status. For the purposes of this policy, a joint venture is any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment or exempt purpose activity.

In order to adequately safeguard its tax-exempt status, SOCFC will negotiate transactions and arrangements so that it has sufficient control over the venture to ensure that the activity furthers the exempt purpose of the Organization and that all agreements be on terms that are arm's length or more favorable to the Organization. SOCFC will also require that the venture give priority to exempt purposes over maximizing profits and that the venture not engage in activities that would jeopardize the Organization's exempt status.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

Budgeting is an integral part of managing any organization in that it is concerned with the translation of organizational goals and objectives into financial terms. A budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities that will ensure survival. It provides an opportunity to examine the composition and viability of the organization's programs and activities simultaneously in light of the available resources.

Budgets are also prepared for funding sources, and each grant manager must be aware of budget modification requirements. Awarding agencies may or may not require approval for changes in line items. SOCFC will document and follow all such requirements.

Preparation and Adoption

SOCFC will prepare an annual budget on the accrual basis of accounting. The Finance Director gathers proposed Organization-wide budget information from all Agency/Program Directors and others with budgetary responsibilities and prepares the first draft of the budget. Budget adjustments proposed and submitted by each department should be accompanied by an explanation of the sources and uses of funds and should explain all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all department budgets by the Finance Director, a draft of the Organization-wide budget, as well as individual department budgets, is presented to the Executive Director and Agency/Program Directors for discussion, revision, and initial approval.

The revised draft is then submitted to the Budget Committee, and finally to the entire Policy Council and Board of Directors for adoption.

It is the policy of SOCFC to adopt a final budget at least 30 days before the due date of a grant application and 30 days before the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Fiscal Department to prepare Grant Budget documents and to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Budgets for programs that are not on the Organization's fiscal year will be prepared in accordance with awarding agency requirements.

Monitoring Performance

SOCFC monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Fiscal Department and distributed to each employee with budgetary responsibilities. These individuals shall be responsible for responding to the appropriate Program Director with an explanation of all budget variances in excess of ten percent on a quarterly basis.

In addition, Program Directors shall submit monthly performance (non-financial) reports to the Executive Director, the Finance Director, the Board of Directors and Policy Council.

Budget and Program Revisions

SOCFC will request prior approval from federal awarding agencies for any of the following program or budget revisions: (*2 CFR Part 200.308*)

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (Program Director, etc.) specified in the application or award document.
3. Disengagement for more than three months, or a 25% reduction in time devoted to the project, by the approved Program Director or principal investigator.
4. The need for additional federal funding.
5. The inclusion, unless waived by the federal awarding agency, of costs that require prior approval in accordance with 2 CFR Part 200.407, Prior Written Approval.
6. The transfer of funds allotted for participant support costs to other categories of expense.
7. Unless described in the application and funded in the approved awards, the subaward, transfer, or contracting out of any work under an award. (However, this provision does not apply to purchases of supplies, materials, equipment, or general support services.)
8. Changes in the amount of the approved cost-sharing or matching provided by the Organization.

Budget Modifications

After a budget has been approved by the Board of Directors and Policy Council and adopted by the Organization, reclassifications of budgeted expense amounts of less than ten percent within a single budget category may be made by the Program Director, with approval from the Finance Director.

Reclassifications in excess of the preceding threshold and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Budget Committee, full Board of Directors, and Policy Council.

ANNUAL AUDIT

Role of the Independent Auditor

SOCFC will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Board of Directors will be required to communicate directly with the Organization's Board Executive Committee upon the completion of their audit. In addition, members of the Board Executive Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the next monthly Board Meeting following the completion of the audit report, after the financial statements have been reviewed and approved by the Board Executive Committee.

Auditor Independence

SOCFC may from time to time request the independent auditor to provide services outside the scope of the annual audit and Forms 990 and 5500 preparation. In connection with these non-audit services, it is imperative that the independent auditor remain independent in fact and in appearance in order to continue serving the Organization as its auditor.

Generally, in order to remain independent with respect to the audit, the Organization's auditors should not provide non-audit services that involve performing management functions or making management decisions nor should they provide non-audit services in situations where the non-audit services are significant/material to the subject matter of the audits (or where they would be auditing their own work in connection with the annual audit).

Therefore, it is the Organization's policy to evaluate any non-audit service requested from the independent auditor for possible impairments to the firm's independence, and to not permit the performance of any services that would impair independence. This evaluation shall be performed by the Finance Director, who may consult the independent auditor or other external sources in making this determination.

In addition, for each non-audit service that is to be provided by the Organization's independent auditor, the Organization shall:

1. Designate a management level individual to be responsible and accountable for overseeing the non-audit service (to be determined by the Executive Director).
2. Establish and monitor performance of the non-audit service to ensure that it meets management's objectives (to be performed by the person designated in step 1).
3. Make any decisions that involve management functions related to the non-audit service and accept full responsibility for such decisions.
4. Evaluate the adequacy of the services performed and findings that result.

How Often to Review the Selection of the Auditor

SOCFC shall review the selection of its independent auditor in the following circumstances:

1. Any time there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years, but simply to reevaluate the selection).

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by SOCFC in selecting an accounting firm:

1. The firm's reputation in the nonprofit community.
2. The depth of the firm's understanding of and experience with not-for-profit organizations and federal reporting requirements under 2 CFR Part 200.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner.

If SOCFC decides to prepare and issue a written Request for Proposal (RFP) to be sent to prospective audit firms, the following information shall be included:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of SOCFC
6. Chart of account information
7. Financial information about the Organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with 2 CFR Part 200.500 – 521 and the appropriate Compliance Supplements.
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e., whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve SOCFC
3. Client references
4. Information about the firm's capabilities

5. Firm's approach to performing an audit
6. Copy of the firm's most recent quality/peer review report in its entirety
7. Other resources available with the firm
8. Expected timing and completion of the audit
9. Expected delivery of reports
10. Cost estimate including estimated number of hours per staff member
11. Rate per hour for each auditor
12. Other information as appropriate

In order to narrow down the proposals to the top selections, the Finance Director and Fiscal Manager shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Board Executive Committee. After the Finance Director and Board Executive Committee narrow down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Finance Director and Board Executive Committee Chair (Board Treasurer), who makes the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit

SOCFC shall be actively involved in planning for and assisting with the Organization's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the Fiscal Department shall provide assistance to the independent auditors in the following areas:

Planning - The Finance Director is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. The Finance Director shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff of SOCFC. The Finance Director shall then schedule and direct status meetings in the weeks leading up to the audit in order to review the progress of staff in preparing for the audit.

The Finance Director shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with SOCFC board members, budget or executive committee members, or employees of SOCFC to facilitate the auditor's work. Prior to any such meetings or discussions, the Finance Director shall inform each Organization participant of the nature of the discussion or meeting and what, if any, preparations they should do prior to the meeting. The Finance Director shall communicate to each SOCFC participant in such meetings or discussions the importance of being open, honest, and frank with the auditors with respect to any and all questions posed by the auditors.

Involvement – Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, SOCFC will make every effort to provide schedules, documents, and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of SOCFC from its independent auditor, the Finance Director shall perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of SOCFC.
3. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Finance Director.

It shall also be the responsibility of the Finance Director to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Budget Committee.

Audit Adjustments

It is the policy of SOCFC to review all adjustments prepared by the independent auditor in connection with the annual audit, and, if in concurrence, record them in the general ledger.

The Organization may also receive a list of unadjusted differences (or passed audit adjustments) from the independent auditor in connection with the audit. If the Organization receives such a list, it shall be the responsibility of the Finance Director to review them and determine whether or not to record them in the current year.

Internal Control Deficiencies Noted During the Audit

In accordance with generally accepted auditing standards, at the conclusion of the audit the Organization's independent auditors may provide a written communication of internal control deficiencies noted in connection with their audit. Not all deficiencies in internal control are required to be reported by the auditor. Only the following two types of deficiencies are required to be communicated:

1. **Material weakness** – A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

2. **Significant deficiency** – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Organization's independent auditors are required to provide written communication to the Board of Directors of all significant deficiencies and material weaknesses (i.e., only those control deficiencies that rise to the level of materiality at which they qualify under the definitions provided above, in the opinion of the auditor).

It is the Organization's policy that all internal control deficiencies that are communicated by the auditor in writing shall be formally addressed by the Board Executive Committee, the Executive Director, and the Finance Director. The Finance Director shall prepare a written response, which shall include a corrective action plan, to each internal control finding and such response shall be presented to the Board Executive Committee for its review and approval.

Board Executive Committee Communications with the Auditors

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the Board Executive Committee. The Finance Director shall facilitate all of these communications, arranging for face-to-face meetings, telephone or conference calls, or delivery of electronic or paper documents between auditor and Board Executive Committee members.

Some of the communications that SOFC's auditors may have with the Organization's Board Executive Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of Board Executive Committee members their perception of where the risk of material misstatements in the Organization's financial statements may be greatest, the various risks of fraud, and other inquiries.
2. Planning stage communications informing the Board Executive Committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the budget committee members having a thorough understanding of the audit.
3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.
4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.
5. Significant problems or other issues that arose during the audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the Board Executive Committee).
6. Audit adjustments made by the auditors as a result of their audit.
7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

Board Executive Committee members should be aware of these communications and engage in active discussions with the auditors whenever it is considered appropriate in the fulfillment of these or their other duties.

INSURANCE

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of SOCFC.

SOCFC maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery, and other items of value.

Coverage Guidelines

As a guideline, SOCFC will arrange for the following types and levels of insurance as a minimum:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability	\$1,000,000
Umbrella Liability	\$1,000,000–\$10,000,000
Automobiles for Employees, Volunteers, or Escorts	\$1,000,000
Employee dishonesty/bonding	\$1,000,000 for all Fiscal Department employees and the Executive Director
Fire and Water Damage	Coverage for all items with acquisition cost greater than \$1,000
Directors and Officers	\$1,000,000 (with an appropriate deductible level)
Theft	Coverage for all items with acquisition cost greater than \$1,000
Workers' Compensation	To the extent required by law (or contractual obligations of the Organization)

SOCFC shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates

6. Date(s) premiums paid and check numbers

Insurance Definitions

Workers' Compensation and Employer's Liability

Contractors are required to comply with applicable federal and state workers' compensation and occupational disease statutes. If occupational diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy, except when contract operations are so commingled that it would not be practical to require this coverage.

Fidelity Bond

For all personnel handling cash or preparing or signing checks, SOCFC shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the Organization will determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers, and employee general liability insurance, buildings, contents, computers, fine arts, boilers, and machinery.

RECORD RETENTION

Policy

SOCFC retains records as required by law and destroys them when appropriate. All files, both hard copy and electronic shall be labeled with the topic and year, in order to quickly determine destruction date. Electronic copies shall be saved in appropriate folders on the network storage device. Hard copies should be stored in file cabinets or archived in the storage area. Archived hard copy files shall be stored in water and animal proof containers.

The destruction of records must be approved by the Finance Director and logged into the Organization's Destroyed Records Log. Review and purging of files may take place on an ongoing basis, but must occur at least once per year, and must follow the minimum retention requirements outlined below.

The destruction of any documents containing social security numbers or any other "consumer data" or "protected personally identifiable information" as defined under federal laws and regulations shall be done via shredding using an approved shredding service provider.

The formal records retention policy of SOCFC is as follows:

Record	Retention
Audit reports	Permanently
Correspondence – Legal and important matters	Permanently
Deeds, mortgages, and bills of sales	Permanently
Financial statements – Year-end	Permanently
General ledgers/year-end trial balance	Permanently
Labor contracts (CBA, etc.)	Permanently
Minute books of Board, directors, bylaws, and charters	Permanently
Property records (incl. depreciation schedules)	Permanently
Retirement and pension records	Permanently
Tax returns and worksheets, examination reports and other documents relating to tax filings	Permanently
Trademark registrations and copyrights	Permanently
W-2's and 1099's	Permanently
Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Contracts, mortgages, notes, and leases – expired	7 Years
Garnishments	7 Years
Insurance claims	7 years
Inventories of products, materials, and supplies	7 Years
Invoices (to customers, from vendors)	7 Years
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Purchase orders	7 Years
Sales records	7 Years
Subsidiary ledgers	7 Years
Timesheets/Time records	7 Years
Vouchers and Registers	7 Years
Withholding tax statements	7 Years
Bank statements & reconciliations	3 Years
Chart of accounts	3 years
Employment applications	3 Years
Financial Statements – Monthly	3 Years
Fire Inspections	3 years
Insurance policies (expired)	3 Years
Internal audit reports	3 Years
Internal reports	3 Years
Petty cash records	3 Years
Receiving paperwork	3 Years
Correspondence – General	2 Years

Exception for Investigations

In connection with any ongoing or anticipated investigation into allegations of violations of federal laws or regulations, provisions of government awards, or violations of the Organization's Code of Conduct, the following exceptions are made to the preceding scheduled retention and/or destruction of records:

1. All records related to the subject of the investigation or allegation shall be exempt from any scheduled record destruction.
2. The term "records" shall also apply to any electronically stored record (e.g., documents stored on computers, email messages, etc.), which shall also be protected from destruction.