

# **COMMUNITIES UNLIMITED, 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 May 10, 2016. 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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## SECTION 2: FORMS

File Name	Form Name and Content
D01 – Travel Advance Request Form	Travel Advance Request Form
D02 - In-Kind Donation Form	In-Kind Donation Form
D03 - Journal Entry Form	Journal Entry Form
D04 – Gift Acceptance Form	Gift Acceptance Form
D05 – Purchase Order	Purchase Order

## INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for Communities Unlimited, Inc., which shall be referred to as “Communities Unlimited, Inc.”, “CU”, or “the Organization” throughout this manual.

**Communities Unlimited, Inc.** is incorporated in the state of Arkansas. Communities Unlimited, Inc. is exempt from federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation. Communities Unlimited, Inc.’s tax-exempt mission is:

Moving rural and under-resourced communities in areas of persistent poverty to sustainable prosperity.

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, Ines Polonius – CEO, and Kimberly Griffey - CFO. All Communities Unlimited, Inc. 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**

Communities Unlimited, Inc. 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. Reviewing and approving the annual audit.
4. Reviewing financial information.
5. Identifying and proactively dealing with emerging issues.
6. Interpreting the Organization's mission to the public.
7. Soliciting prospective contributors.
8. Hiring, evaluating, and working with the CEO.
9. Establishing and maintaining programs and systems designed to ensure compliance with terms of contracts and grants.
10. Authorizing establishment of all bank accounts and check signers.

The CEO shall be responsible for the day-to-day oversight and management of Communities Unlimited, Inc.

### **The Roles of the CEO and Staff**

The Board of Directors hires the CEO, who reports directly to the board. The CEO is responsible for hiring and evaluating Program Managers for each of the Organization's Programs. Each Program Manager reports to the CEO.

Program Managers are responsible for hiring employees to work in that program with approval from the CEO. All employees within a program shall report directly to that program's Manager, who shall be responsible for managing and evaluating all employees within the program.

## **ACCOUNTING DEPARTMENT OVERVIEW**

### **Organization Structure**

The accounting department consists of 3 staff members who manage and process financial information for Communities Unlimited, Inc. The following positions comprise the accounting department:

- Chief Financial Officer
- Staff Accountant
- File Clerk

Other officers and employees of Communities Unlimited, Inc. who have financial responsibilities are as follows:

- Chief Executive Officer
- Program Managers
- Human Resources Department
- Audit Committee – Board level

### **Department Responsibilities**

The primary responsibilities of the accounting department consist of:

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

### **Standards for Financial Management Systems**

In accordance with 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Communities Unlimited, Inc. 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. Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 of the 2 CFR Part 200 Subpart E, Cost Principles, and the terms and conditions of the award.

## **BUSINESS CONDUCT and CONFLICTS OF INTEREST**

Communities Unlimited's (CU's) reputation and success in the communities we serve is determined not only by our work but also by our employees. CU expects, and holds employees accountable for observing a standard of conduct that avoids conflict of interest or, if unavoidable, immediately report any situation that involves or may involve a conflict between personal interest and the interest of CU. Working at CU, you are exposed to circumstances that may result in actual, potential, or perceived conflicts of interest when (1) you are in a position to influence a decision that may result in personal gain for yourself or for a relative as a result of CU's business dealings or (2) when you are aware of customer or competitor issues that conflict with CU's ability to conduct business.

Any relationship or activity that might impair, even appear to impair, the employee's ability to make objective and fair decisions when performing assigned jobs must be avoided. At times, employees may be faced with situations where the business actions taken on behalf of CU may conflict with personal or family interests because the course of action that is best for the employee personally may not be the best course of action for CU. Employees owe a duty to CU to advance its legitimate interests when the opportunity to do so arises. Employees must never use CU property or information for personal gain or personally take for him/herself any opportunity that is discovered through the position with CU.

It is expected that you will give your best efforts to your job, treat your job as an important part of your life, exercise good judgment and discretion, and maintain the highest degree of integrity and honesty. Your actions are significant indications of your judgment and competence and, accordingly, those

actions constitute an important element in the evaluation of position assignments. Because we are concerned with protecting the reputation and viability of CU, we regard a breach of confidentiality or a breach of or failure to disclose a conflict of interest as a serious matter and disciplinary action up to and including termination may be taken.

All CU employees are responsible for:

1. Making every effort to avoid actual, potential, or perceived conflicts of interest and to immediately report to their immediate supervisor, the department manager, the Chief Operating Officer, or the Chief Executive Officer when avoiding such situations is not possible.
2. Notifying immediately your supervisor and the Human Resources department when you are related to outside parties involved in purchases, contracts, leases, or other business activities that have an impact on CU. It is considered a breach of this policy if an employee discusses with a competitor, or any third party acting for a competitor, information on any aspect of CU that might be contrary to the interest of CU.
3. Notifying your program manager before engaging in "outside" work or activities so that a determination can be made as to whether or not an actual, potential, or perceived conflict of interest exists prior to a commitment being made to participate. This includes, but is not limited to, for-profit employment and/or volunteer work such as serving on a board of directors for an organization that works in similar disciplines or industries as CU, has a relationship with CU, or is an actual or potential competitor of CU. When given, authorization may be withdrawn if at any time it is believed to be in the best interest of CU. Refusal to comply with CU's request not to participate in or to discontinue outside activities may result in disciplinary action up to and including termination of employment.
4. Keeping confidential any contract information, data on decisions, plans, or other information when releasing or using such information might be contrary to the interest of CU.
5. Reporting any information that gives you reason to believe that any employee is engaged in conduct that is in violation of this policy to your program manager, the Chief Operating Officer or the Chief Executive Officer.
6. Signing this agreement upon hire and periodically thereafter as evidence of awareness of and compliance with this policy.

This policy is not intended to apply to ordinary and reasonable business entertaining or gifts of nominal value. CU employees are to neither give nor accept business courtesies that constitute, or could reasonably be perceived as constituting, unfair business inducements that would violate law, regulation or policies of CU or CU's customers, or would cause embarrassment or reflect negatively on CU's reputation.

### **Client Related Conflict of Interest**

Small businesses, water systems, governmental units and many others with whom you work are clients of Communities Unlimited. All training and technical assistance that you conduct about business issues or for clients is an activity of Communities Unlimited. All revenues generated through these activities are to benefit Communities Unlimited.

If you have a consulting opportunity that falls outside of the mission of Communities Unlimited please discuss it with your manager and obtain written approval prior to the first engagement. We also require that you sign Communities Unlimited conflict of interest statement. Such an engagement should in no way take time from your work week or your accessibility to you clients.

In these unique cases, do not market yourself as an Communities Unlimited employee and do not use Communities Unlimited materials during the course of your engagement.

Please remember that once a client has graduated from a Communities Unlimited engagement, they are still considered a Communities Unlimited client for all follow-up work or special projects. Therefore Communities Unlimited staff cannot work for or on behalf of clients in any capacity without expressed written consent from both the program manager and the Human Resources Director.

Negotiating or accepting private fees with clients for any project or work conducted with a Communities Unlimited client is deemed inappropriate and will result in immediate termination. Negotiating any later pay-off for work done for a Communities Unlimited customer/client is equally inappropriate and will result in immediate termination.

### **CONFIDENTIALITY**

Our employees and those with whom we do business entrust us with important information. It is our policy that all information considered confidential is not to be disclosed to external parties or to other employees without a "need to know." Employees are to keep confidential any contract information, data on decisions, plans, or other information when releasing or using such information might be contrary to the interest of CU. If there is a question of whether certain information is considered confidential, the employee should first check with his/her immediate supervisor or the Human Resources Director. Because we are concerned with protecting the reputation and viability of CU, we regard a breach of confidentiality or a breach of or failure to disclose a conflict of interest as a serious matter and disciplinary action up to and including termination may be taken. This policy is intended to alert employees to the need for discretion at all times and is not intended to inhibit normal business communications.

#### **Confidentiality of Small Business/Entrepreneur Client Information**

The only means of building trust with a client is to keep all information about the client confidential. The communities in which we work are tight-knit and everyone knows the entrepreneur down the street or in the next town. Please do not share any information about your clients with anyone other than the principals of the business or Communities Unlimited. Please keep client files in a safe place where others will not have access to them. Our partner organizations and funders that have invested capital in our clients have the right to know information about the business that may threaten their investment. Please share this information with the loan officer/funder and let them make the determination whether they will report this to their management team. All staff are responsible for ensuring that identity information and/or information covered by the Fair Credit Reporting Act is handled/secured in compliance with applicable laws and regulations.

### **HARASSMENT**

CU does not tolerate harassment of any nature. It is every employee's responsibility to maintain a work environment free from harassment. The policy applies to all employees, agents, and non-employees who have contact with employees. Every employee in a supervisory position is required to attend harassment training. Every employee who observes conduct they believe constitutes any form of harassment is responsible for speaking up and immediately reporting such conduct.

Harassment is defined as any annoying, persistent act or action that singles out an employee to their objection or detriment, because of race, sex, age, religion, ancestry, national origin, physical handicap, mental condition, veteran status, or any other factor related to the diversity of staff. Harassment may include, but is not limited to, inappropriate behavior and sexual harassment as outlined below. Please refer to section entitled "Workplace Violence" for guidelines for dealing with intimidation, harassment, or other threats of violent or actual violence.

#### **Management Responsibility**

Managers and supervisors are to be proactive in ensuring that the work environment is free of all types of harassment. Further, managers and supervisors must promptly take action when instances of harassment come to their attention. If an instance of harassment comes to a supervisor or manager's

attention, it is to be immediately reported to the Human Resources Director. The Human Resources Director will coordinate all investigations. Any assistance provided during an investigation must be conducted in an objective manner with respect for the privacy of those involved.

CU management will take reasonable steps to see that the company policy prohibiting all harassment is followed by all employees at all levels and by others who have contact with CU employees. It is CU's intent to meet the letter and spirit of the law. CU supports a prevention plan that includes training sessions, ongoing monitoring of the workplace, and prompt, careful investigation of any specific allegation situations that may arise.

### **Employee Responsibility**

Any employee who believes that he or she is being harassed by anyone in the workplace or while engaged in company business, should immediately contact his or her immediate supervisor or the Human Resources Director. It is every employee's responsibility to help maintain a work environment free from harassment. Any employee who observes conduct that he/she believes constitutes harassment should take the responsibility to speak up and report it immediately. Any employee who fails to cooperate in or attempts to block an investigation of harassment is subject to disciplinary action.

### **Inappropriate Behavior**

CU expects responsible, cooperative, and professional behavior from all employees. Any written or verbal exchanges are to be respectful and courteous at all times. Behaviors that are unacceptable include, but are not limited to:

1. Verbal abuse or ridicule including abusive or derogatory comments, slurs, heavy sarcasm, shouting, crude language, insults, or unwanted sexual advances, invitations or comments.
2. Interference with an employee's work including physical contact such as blocking normal movement, invasion of personal space, banging the desk, or interference with work directed at an individual because of their sex or other protected status.
3. Displaying or distributing sexually offensive, racist, or derogatory materials including posters, cartoons, drawings, gestures, or intimate physical contact.
4. Demanding favors, sexual or otherwise, that are explicit or implicit, as a condition of employment, promotion, transfer, or any other item or condition of employment.
5. Retaliation for having reported harassment.

Repeated demonstration or any single act deemed severe in any of the above categories of inappropriate behavior will lead to disciplinary action.

### **Sexual Harassment**

CU does not tolerate any incidents of sexual harassment in the workplace. Sexual harassment is defined as unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature. CU regularly communicates the sexual harassment policy to employees and makes every effort to sensitize employees to examples of sexual harassment in the workplace.

Every employee in a supervisory position is required to undergo training designed to:

- Prevent instances of sexual harassment.
- Recognize sexual harassment.
- Provide action steps if a complaint is received.

Any employee who, in good faith, brings a sexual harassment complaint or assists in an investigation of such a complaint will not be adversely affected in terms and conditions of employment, be discriminated against, or be terminated or demoted because of the complaint or investigation.

Any employee, officer, or agent of CU found to have violated the company's policy on sexual harassment is subject to disciplinary action. If an investigation reveals that sexual harassment has occurred, the harasser may also be held legally liable for his or her actions under state or federal civil rights laws or in private lawsuits.

CU recognizes that false accusations of sexual harassment can have serious effects on innocent persons. If an investigation results in a finding that a person who has accused another of sexual harassment has maliciously or recklessly made false accusations, the accuser is subject to disciplinary action.

CU policies and procedures are reviewed annually to assure conformity with applicable legal guidelines.

### **Complaint Procedure**

Employees who believe that he or she is being harassed are responsible for immediately reporting such instances to their immediate supervisor or the Human Resources Director. Upon receipt of a complaint by an employee, a supervisor is responsible for immediately contacting the Director of Human Resources or the Chief Executive Officer concerning the complaint received from the employee. (See *"Management Responsibility"* and *"Employee Responsibility"* sections of this policy.) The Human Resources Director, or designee, is responsible for promptly investigating the complaint. Confidentiality will be maintained to the maximum extent possible. Appropriate disciplinary action will be taken against any employee found guilty of harassing another employee.

When reporting harassment, it is necessary that specific details of the incident (who, what, where, when and how) are provided on the Sexual Harassment Complaint form available on the staff section of the CU Website or from the Human Resources department. The results of any investigation, along with the written, signed statements from both the complainant and the accused, will be reviewed by the Chief Executive Officer and/or legal counsel to formulate a response and to communicate the response to both parties. Either party has the right to appeal directly to the Chief Executive Officer.

For a reasonable time after the results are communicated and follow-up action(s) implemented, the Human Resources Director will monitor the situation to determine the effectiveness of the steps taken.

## **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, Communities Unlimited, Inc. 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 customers.
- 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 Communities Unlimited, Inc. 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.

- Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports.

Communities Unlimited, Inc. 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, the HR Director, the CFO, or the CEO. When supervisors have received a report of suspected misconduct, they must immediately report such acts to their manager, the HR Director, the CFO or CEO. All reports will be documented in writing by the manager, HR Director, the CFO or the CEO who receives the report.

### **Whistleblower Protection**

A whistleblower, as defined by this policy, is a Communities Unlimited, Inc. (CU) employee who reports activity that he/she considers to be illegal or dishonest. Employees are encouraged to report orally or in writing to the Chief Executive Officer or alternate line of authority as hereinafter described, all evidence of activity by a CU employee that may fall within the following guidelines constitute:

- Instances of Fraud;
- Unethical Business Conduct (including fraudulent financial reporting);
- A violation of State or Federal law; or
- Substantial and specific danger to the employee or public health and safety.

If an employee has knowledge of or a concern of illegal or dishonest fraudulent activity, the employee is responsible for reporting such concerns to the Chief Executive Officer or the Chair of the CU Board of Directors who have responsibility for investigating and coordinating corrective action. Employees are encouraged to provide as much specific information as possible including names, dates, places, and events that took place, and the employee's perception of why the incident(s) may be a violation. The whistleblower is not responsible for investigating the activity or for determining fault or corrective measures; appropriate management officials are charged with these responsibilities. Employees must exercise sound judgment to avoid baseless allegations. An employee who intentionally files a false report of wrongdoing will be subject to discipline up to and including termination.

Whistleblower protections are provided in two important areas – against retaliation and confidentiality.

- Any CU employee who in good faith reports such incidents as described above will be protected from threats of retaliation, discharge, or other types of discrimination including but not limited to compensation or terms and conditions of employment that are directly related to the disclosure of such reports. In addition, no employee may be adversely affected because the employee refused to carry out a directive which, in fact, constitutes corporate fraud or is a violation of state or federal law. Any whistleblower who believes he/she is being retaliated against must contact the Human Resources Director immediately. The right of a whistleblower for protection against retaliation does not include immunity for any personal wrongdoing that is alleged and investigated.

- Insofar as possible, the confidentiality of the whistleblower will be maintained. However, identify may have to be disclosed to conduct a thorough investigation, to comply with the law and to provide accused individuals their legal rights of defense.

### **Investigative Responsibilities**

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

The HR Director has the primary responsibility for investigating suspected misconduct involving employees below the CEO. The HR Director shall provide a summary of all investigative work to the CEO.

The Board of Directors has the primary responsibility for investigating suspected misconduct involving CEO, as well as board members and officers. However, the Board may request the assistance of the HR Director 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 HR Director and/or the Board of Directors 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 of Directors) 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**

Communities Unlimited, Inc. 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 of Directors and the HR Director treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the HR Director or the Board 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 Communities Unlimited, Inc. 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 Board 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.

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 Communities Unlimited, Inc. legal counsel or the 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 CEO, 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 HR Director 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. (200.113 Mandatory disclosures)

## **SECURITY**

### **Accounting Department**

A lock will be maintained on all doors leading into the Communities Unlimited, Inc. Accounting Department. These doors shall be closed and locked in the evenings and whenever the Accounting Department is vacant. The key/combination to this lock will be provided to key accounting personnel, the HR Director, the CEO, and other personnel as approved by the CEO. The lock will be changed whenever any of these individuals leaves the employment of Communities Unlimited, Inc.

### **Access to Electronically Stored Accounting Data**

Communities Unlimited, Inc. 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.

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, Communities Unlimited, Inc. performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

### **Storage of Sensitive Data**

In addition to accounting and financial data stored in the Accounting Department, other sensitive data, including protected personally identifiable information (PII) such as social security numbers of employees and/or clients may be stored in areas other than the Accounting Department. Locations of sensitive data include, but are not limited to:

1. Other Organization departments such as Loan Fund and HR
2. Electronic or on-line storage

The Organization's policy is to minimize the storage of sensitive data outside the Accounting Department by shredding documents with such data or deleting the sensitive data from documents that are stored outside the Accounting Department as soon as possible. Please see the Organization's technology policies for standards for electronic and on-line storage.

### **Destruction of Consumer Information**

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. Communities Unlimited, Inc. 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).

### **General Office Security**

During normal business hours, all visitors are required to check in with the receptionist. After hours, a security key is required for access to the offices of Communities Unlimited, Inc. Keys are issued only to employees of Communities Unlimited, Inc.

### **Building Use During Non-Office Hours**

Communities Unlimited, Inc. (CU) is supportive of efforts to expand volunteerism and charitable activities in its service area. CU encourages its staff members to be volunteers in local charitable activities and supports the occasional use of its office building by local groups. CU's policy for use of its office building during non-office hours is as follows:

- CU will consider making its building available to groups with which a CU staff member is volunteering. However, if the CU employee is being compensated in any way, this would constitute a conflict of interest and the requested use of the building would generally be declined.
- CU will not allow its building to be used for any events that are political or discriminatory based on arbitrary consideration of such characteristics as age, color, disability, ethnicity, gender, marital status, public assistance status, political affiliation, national origin, race, religion, physical appearance, medical condition, sexual orientation, or veteran status.
- Use of the space for allowed purposes will be free of charge unless the use involves unusual set-up or clean-up expenses which would then be passed on to the organization requesting its use.
- CU's staff member who is requesting use of the building, will be expected to be on-site while guests are occupying the building. The staff member will assume responsibility for opening and closing the building each time the group meets in the building; and ensuring the building is locked, left as clean as it was when found, and that the building is properly secured and the alarm is set at the end of the use. If damages occur or additional cleaning is required as a result of use by an outside group, CU's staff member hosting the group will be responsible for ensuring CU is reimbursed for any costs required to address the damage.
- As a courtesy, CU's staff member who's hosting the event, will be expected to email all other CU Fayetteville staff a day or so prior to the proposed use so all staff will be aware that guests will be in the building.

- All requests for use of CU's building will be approved or declined at CU's discretion.
- Any staff member hosting an event must secure written approval from CU's facility manager or its CEO prior to the event and acknowledge the terms of this policy by signing below.

## **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.

### **Chart of Accounts Overview**

The chart of accounts is the framework for the general ledger system and the basis for the 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.

Communities Unlimited, Inc.'s chart of accounts is comprised of five types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses

Each account number shall be preceded by a two-digit program number and a three-digit grant code, and followed by a 4 digit tracking code.

### **Distribution of Chart of Accounts**

All Communities Unlimited, Inc. 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 CFO 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 CFO, who ensures that the chart of accounts is consistent with the Organizational structure of Communities Unlimited, Inc. and meets the needs of each division and department.

### **Fiscal Year of Organization**

Communities Unlimited, Inc. shall operate on a fiscal year that begins on October 1 and ends on September 30. Any changes to the fiscal year of the Organization must be ratified by majority vote of Communities Unlimited, Inc.'s Board of Directors.

### **Accounting Estimates**

Communities Unlimited, Inc. 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. Allowance for collectability of receivables
4. Values of contributed services
5. Cost allocation calculations

The CFO will reassess, review, and approve all estimates yearly. All 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 proper managers the CEO, 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

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 CFO by initialing or signing the entries.

# **POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS**

## **REVENUE**

### **Revenue Recognition Policies**

Communities Unlimited, Inc. 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 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, 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 CFO.

### **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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc. and another entity each receive and sacrifice something of approximately equal value.

## **ADMINISTRATION OF FEDERAL AWARDS**

### **Definitions**

Communities Unlimited, Inc. 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.

**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 proposal budgets shall be reviewed by the CFO 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 CEO.

***“Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect costs and allocated currently to all activities.”  
2 CFR Part 200.460)***

### **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 Accounting 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 new general ledger account numbers (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. See the following section, "Document Administration", for details.
4. Post all grant reporting due dates to shared development calendar.

### **Compliance with Laws, Regulations, and Provisions of Awards**

Communities Unlimited, Inc. 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, an employee within the department responsible for administering the award will be designated as "grant manager."
2. 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.
3. The grant manager and/or the Accounting 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.
4. 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.
5. 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 Communities Unlimited, Inc. 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 CFO.

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. The final, approved budget and program plan, after making any modifications
2. The grant agreement and any other documents associated with the initial making of the award
3. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
4. Subsequent grant modifications (financial and programmatic)
5. Copies of program and financial reports
6. Subsequent correspondence to/from the awarding agency
7. Results of any monitoring visits conducted by the awarding agency, including resolution by Communities Unlimited, Inc. of any findings arising from such visits
8. Correspondence and other documents resulting from the closeout process of the award

The original grant document file shall remain in the office of the CFO in a locked filing cabinet.

### **Closeout of Federal Awards**

Communities Unlimited, Inc. shall follow the closeout procedures described in 2 CFR 200.343 – 345, Closeout, and in the grant agreements as specified by the granting agency.

Communities Unlimited, Inc. and all sub recipients 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**

Communities Unlimited, Inc. 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.

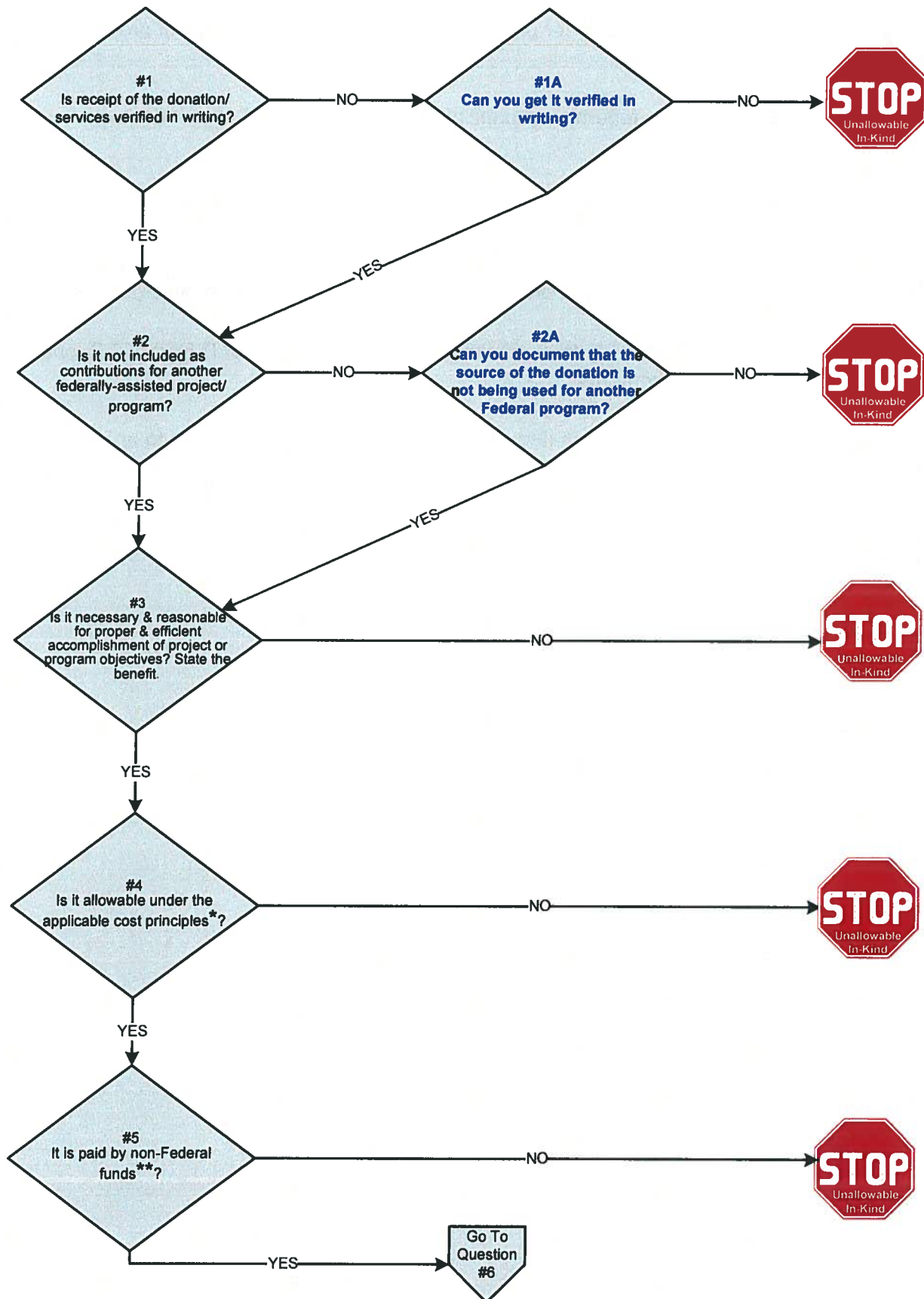
Communities Unlimited, Inc. shall claim contributions as meeting a cost sharing or matching requirement of a federal award only if all of the following criteria are met:

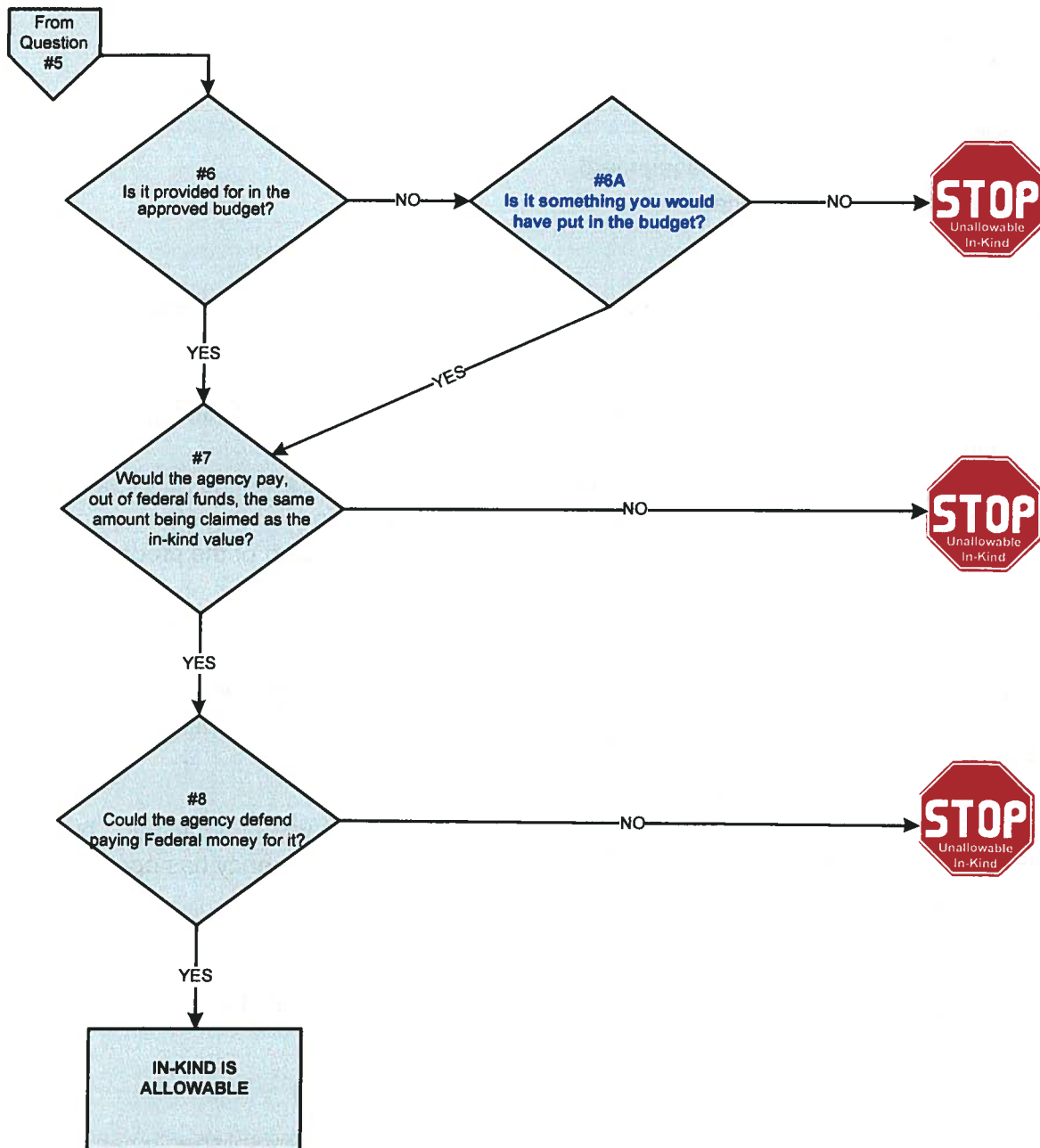
1. They are verifiable from Communities Unlimited, Inc. records.

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.

The following flowchart should be used to determine the allowability of in-kind.

## In-kind Allowability Flowchart





\* 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

\*\* Except where authorized by Federal statute to be used for cost sharing or matching:

Determinations have been made on a case-by-case basis on whether Federal funds from other programs are allowable match for an ACF program. These determinations are based on specific requirements of ACF programs and language in applicable statutes. Specifically:

1. USDA funds are of Federal origin and, therefore, cannot be counted as match.
2. Bureau of Indian Affairs - Indian Self-Determination and Education Assistance Act (P.L. 93-638, as amended). The Act authorizes the use of funds for matching purposes as long as the identified use is specifically related to the approved grant activities.
3. Title XX Social Services Block Grant funds are considered to be Federal funds and, therefore, may not be used as match for ACF programs.
4. Expenditure of funds from the Housing and Community Development Act of 1974, P.L. 93-383 may count as allowable match for a Head Start program for renovation of a building. The determination is dependent on whether or not the Head Start grant is included as part of the "Community Development Program," as required by the Housing and Community Development Act. (Grants Administration Manual, Section 3.05.408(b)(1-4))

## **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

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

### ***Cash***

- Communities Unlimited, Inc. 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 from the vendor 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 in 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.

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.

Communities Unlimited, Inc. 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 time sheet login which collects the following information:

- Date service was performed
- Volunteer name and address
- Hours donated (time in and out)
- Service provided
- Signature of volunteer

The time sheets will be submitted to the Accounting Department semi-monthly so they can be tallied, valued, and 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc.

Communities Unlimited, Inc. will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use Communities Unlimited, Inc.'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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc.,
  - would require the addition or modification of an Communities Unlimited, Inc. program,
  - would not be consistent with the mission of Communities Unlimited, Inc.,
  - would not be consistent with Communities Unlimited, Inc.'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 Communities Unlimited, Inc.
- 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 Program Director without any further review and approval. Gifts of greater-than-marginal risk may be accepted only after review and approval of both the CFO and CEO. This review and approval shall be documented on a Gift Acceptance form.

It is also the policy of Communities Unlimited, Inc. to liquidate all gifts of publicly-traded securities within ten days of receipt unless it is determined by the CFO 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**

Communities Unlimited, Inc. receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. Communities Unlimited, Inc. 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. Communities Unlimited, Inc.'s intent in soliciting the asset, as stated in the accompanying materials.
2. The expressed intent of the entity providing resources to Communities Unlimited, Inc. (i.e., does the resource provider state that its intent is to support Communities Unlimited, Inc.'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 Communities Unlimited, Inc. (contribution).
4. Whether payment received by Communities Unlimited, Inc. is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by Communities Unlimited, Inc., 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 Communities Unlimited, Inc. 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**

Communities Unlimited, Inc. respects the privacy of its donors and also recognizes that donors wish to be connected to the Organization. Communities Unlimited, Inc. 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.

Communities Unlimited, Inc. 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)**

Communities Unlimited, Inc. 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.

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 CFO based on a Web-based search of the closing price of the security on the date that the security was transferred to Communities Unlimited, Inc. (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 CFO, using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the CEO – such valuation 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 Communities Unlimited, Inc. (not an appraiser hired by the donor).
4. For contributions of all other assets, fair value shall be determined by the CFO.

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 CFO and shall generally be equal to an estimate of an hourly wage rate plus estimated employee benefits costs at 25 % or an hourly rate typically charged by external contractors possessing the skills provided by the volunteer.

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

### **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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 Finance 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 delivered to the Program Manager. The Staff Accountant will acknowledge gifts within 3 business days of receipt. Please see the following section on Receipts.

### **Receipts and Disclosures**

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. shall adhere to the following guidelines with respect to contributions received by the Organization.

The Accounting 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc., a description and good faith estimate of the value of those goods or services.

When Communities Unlimited, Inc. 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 Communities Unlimited, Inc. is made both as a contribution and as a payment for goods or services provided by the donee organization. In such instances, Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. Hence, Communities Unlimited, Inc. 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 2016 bear Communities Unlimited, Inc.'s name or logo and have an aggregate cost of \$10.60 or less and the donor gave the Organization at least \$53.00.
2. The goods provided to the donor in 2016 have a fair market value equal to no more than 2% of the contribution or \$106, whichever is less.
3. The gift received by Communities Unlimited, Inc. resulted from the Organization's 2016 fund-raising appeal that included articles worth no more than \$10.60, 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 2016 are incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by Communities Unlimited, Inc. shall be prepared by the Finance Department.

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc. shall be reviewed, along with the donated asset and any relevant documentation pertaining to the asset's description and condition, by the CFO, who shall have final responsibility for agreeing or disagreeing with the donor's description of the asset and for signing the Form 8283.

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

## **IRS Form 8282, Donee Information Return**

When Communities Unlimited, Inc. 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 the Staff Accountant. It is the policy of Communities Unlimited, Inc. to file such forms in a timely manner (within 125 days of the sale). Upon completion of a Form 8282 by the Staff Accountant, the form shall be reviewed and signed by the CFO. Delivery of the form to IRS shall be done by mail, performed by the Staff Accountant.

A Form 8282 shall also be prepared and filed if Communities Unlimited, Inc. 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, Communities Unlimited, Inc. shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, Communities Unlimited, Inc. 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, Communities Unlimited, Inc. shall nonetheless prepare a similar schedule of future payments for disclosure in the Organization's annual financial statements.

## **Fund-Raising Events**

The Organization shall maintain a subsidiary record that tracks each special fund-raising event sponsored by the Organization. The Staff Accountant shall be responsible for maintaining this subsidiary record. 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 green fees or 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 Communities Unlimited, Inc. in connection with any fund-raising event.

### **State Registrations**

It is the policy of Communities Unlimited, Inc. 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 CFO, who may consult outside advisors in making such determinations.

Once registered, the CFO shall ensure that subsequent periodic filing requirements are met. The CFO may delegate the preparation of such periodic state filings to the Staff Accountant, subject to the review and approval of the CFO.

### **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 Finance Department listing each amount charged for a donation or an item purchased and the contact information of the donor/purchaser.

Recording of the revenue will be done into the accounting system as 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 will be collected and recorded when the services are provided.

### **Responsibilities for Billing and Collection**

Communities Unlimited, Inc.'s Finance 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**

Communities Unlimited, Inc. 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.

Communities Unlimited, Inc. 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 Staff Accountant, subject to review and approval by the CFO.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to Communities Unlimited, Inc.:

1. The Organization will request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Communities Unlimited, Inc. 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.

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.
5. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent Communities Unlimited, Inc.'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.

Communities Unlimited, Inc. 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 in the accounting records of Communities Unlimited, Inc. by the Staff Accountant.

If a federal award authorizes the payment of cash advances to Communities Unlimited, Inc., the CFO may require that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, Communities Unlimited, Inc. 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**

Cash drawdowns of advances from federal agencies shall be made in conjunction with the accounts payable and 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. Communities Unlimited, Inc. requires that federal funds will be disbursed within 24 hours of receipt using the following process:

1. On the 10<sup>th</sup> and the 25<sup>th</sup> of month, the Staff Accountant will print out a listing of checks to be disbursed.
2. The CFO approves the listing.
3. On the 14<sup>th</sup> and the 30<sup>th</sup>, the CFO draws down the cash required.
4. On the 15<sup>th</sup> and 1<sup>st</sup>, the checks are printed, signed, and disbursed in accordance with cash disbursement policies.

### **Classification of Income and Net Assets**

All income received by Communities Unlimited, Inc. is classified as "unrestricted," with the exception of the following:

1. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.
2. Income earned from endowment funds (e.g., interest and dividends, gains and losses) in connection with endowments where the donor has explicitly stated that earnings on an endowment be temporarily restricted for specific purposes.

From time to time, Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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), Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 at 3 East Colt Square Drive, rather than at remote sites, to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and a log of cash/checks received shall be prepared by the Staff Accountant.
- Copies of all cash/checks received are made.
- Cash log and cash/checks are forwarded to the CFO.
- A deposit slip is prepared from the cash/checks received and compared to the cash log for discrepancies. CFO initials cash log.
- Deposits are prepared and taken to the bank by the CFO.

## **Endorsement of Checks**

All checks received that are payable to the Organization shall immediately be restrictively endorsed by the CFO. The restrictive endorsement shall be a stamp that includes the following information:

1. For Deposit Only
2. Communities Unlimited, Inc.
3. The bank name
4. The bank account number of Communities Unlimited, Inc.

## **Timeliness of Bank Deposits**

Bank deposits will be made on a daily basis, unless the total amount received for deposit is less than \$500. In no event shall deposits be made less frequently than weekly. Undeposited checks and cash shall be maintained in a locked office until deposited. Such cash will not be used as petty cash or to make change.

## **Reconciliation of Deposits**

Monthly, the CFO, who does not prepare the initial cash receipts listing, 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**

Communities Unlimited, Inc. 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:

- A. CFO
- B. Staff Accountant
- C. Program Managers

	A	B	C
Produces invoice to bill customer/funder		X	
Enters invoice into A/R system		X	
Initials receipt of funds (cash or checks)		X	
Restrictively endorses checks	X		
Prepares initial record of funds collected		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		X
Posts bad debt write-offs to A/R system		X	

Prepares periodic customer statements		X	
Reconciles A/R with general ledger		X	
Reconciles bank statement	X		
Reviews A/R aging	X		
Performs follow-up calls on old A/R			X

## GRANTS RECEIVABLE MANAGEMENT

### Monitoring and Recognition

Communities Unlimited, Inc. records grants receivable and income as it is earned and billed during the grant year. The Program Manager is responsible for monitoring budget-to-actual expenditures throughout the grant year, and will meet monthly with the CFO & the CEO to discuss grant fiscal results.

## ACCOUNTS RECEIVABLE MANAGEMENT

### Monitoring and Reconciliations

On a monthly basis, the Finance Department will reconcile a detailed accounts receivable report (showing aged, outstanding invoices by customer) to the general ledger. The Staff Accountant 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. The Staff Accountant will process credits and adjustments to Accounts Receivable, and all credits shall be authorized by the CFO.

### Accounts Receivable Write-Off Authorization Procedures

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the Accounting Department. If an account receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

**Amount**  
 >\$5.00  
 <\$5.00

**Authorized in writing by**  
 CFO and Program Director  
 CFO

Once a write-off has been processed, appropriate individuals in the originating department will be advised to ensure that further credit is not granted and 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 allowance for bad debts.

## **POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS**

### **PURCHASING POLICIES AND PROCEDURES**

#### **Overview**

**THE POLICIES DESCRIBED IN THIS SECTION APPLY TO ALL PURCHASES MADE BY COMMUNITIES UNLIMITED, INC.**

Communities Unlimited, Inc. 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 grant requirements.

#### **Responsibility for Purchasing**

All Program Managers or their designees shall have the authority to initiate purchases on behalf of their program, within the guidelines described here. Program Managers shall inform the Finance Department of all individuals that may initiate purchases or prepare purchase orders. The Finance Department shall maintain a current list of all authorized purchasers.

#### **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.

- 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 of \$25 or less may be accepted.

### **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 vendors or contractors who are the recipients of Organization funds or who propose to perform any work or furnish any goods under agreements with Communities Unlimited, Inc., 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 Communities Unlimited, Inc.'s procurement procedures:

1. Communities Unlimited, Inc. shall avoid purchasing items that are not necessary or duplicative 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 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. Communities Unlimited, Inc. 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. Communities Unlimited, Inc. shall make all procurement files available for inspection upon request by a federal awarding agency.
9. Communities Unlimited, Inc. shall not utilize the cost-plus-a-percentage-of-costs method of contracting. (2 CFR Part 200.323(d))
10. Employees may be personally liable for the purchases if they do not follow the purchasing procedures.

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 completed purchase orders must be signed by the preparer and approved by the Program Managers. The following table lists required approval levels and solicitation processes:

Amount of Purchase	Required Approvals	Required Solicitation	Required Documentation
< \$5,000	Program Manager	Evidence of solicitation not required but purchases should be distributed among qualified vendors	<ul style="list-style-type: none"> <li>• Receipt approved by Program Manager</li> </ul>
\$5,000 ≤ \$150,000	<ul style="list-style-type: none"> <li>• Program Manager</li> <li>• CFO</li> </ul>	3 written bids (catalogue, Internet, written)	<ul style="list-style-type: none"> <li>• Documentation of bids received</li> <li>• How decision was made</li> </ul>
> \$150,000	<ul style="list-style-type: none"> <li>• Program Manager</li> <li>• CFO</li> <li>• CEO</li> </ul>	3 written bids (Request for Bids or Request for Proposals)	<ul style="list-style-type: none"> <li>• Copy of RFB or RFP</li> <li>• Proposal scoring grids including who participated in the scoring</li> <li>• Proposal and contract of winning bidder</li> </ul>

Only the CEO is authorized to enter into any contract on behalf of Communities Unlimited, Inc. These policies shall also apply to renewals of existing contracts.

### **Use of Purchase Orders**

Communities Unlimited, Inc. utilizes a purchase order system. A properly completed purchase order shall be required for each purchase decision, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed purchase order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Contractor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Delivery or performance schedules
5. Delivery, packing, and transportation requirements
6. Special conditions (if applicable)
7. Catalog number, page number, etc. (if applicable)
8. Net price per unit, less discount, if any
9. Total amount of order
10. Authorized signature
11. Date purchase order was prepared

## **Required Solicitation of Quotations from Contractors**

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)(1))
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 some or all of the following criteria as appropriate for the purchase:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel

3. Demonstrated experience
4. Other technical specifications designated by the 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 vendor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of vendor
12. Other criteria (to be specified by the 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 Program Managers, the final selection shall be approved by others according to Communities Unlimited, Inc.'s purchasing approval policies.

### **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 Communities Unlimited, Inc. 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, and women's business enterprises. *(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))**

Communities Unlimited, Inc. 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 the procurement standards in 2 CFR Part 200. (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)**

Communities Unlimited, Inc. includes all of the following provisions, as applicable, in all contracts charged to federal awards (including small purchases) with vendors and subgrants to grantees:

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 breach 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 effected 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 Communities Unlimited, Inc. and its subrecipients 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 Communities Unlimited, Inc. 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 or subgrants of \$100,000 or more, Communities Unlimited, Inc. shall obtain from the contractor or subgrantee 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 contractors may be made when one or more of the following conditions apply:

- 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; or
- After solicitation, competition is deemed inadequate (insufficient bidders).

Approval from the awarding agency may be required.

### **Right to Audit Clause**

Communities Unlimited, Inc. requires a "Right to Audit" clause in all contracts between the Organizations and vendors 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 Communities Unlimited, Inc., as well as all documents maintained or processed on behalf of Communities Unlimited, Inc., for a period of three years. The clause shall state that such audit procedures may be performed by Communities Unlimited, Inc. employees or any outside auditor or contractor designated by the Organization.

### **Contractor Files and Required Documentation**

The Accounting Department shall create a contractor folder for each new contractor from whom Communities Unlimited, Inc. purchases goods or services.

The Accounting Department shall mail a blank Form W-9 to new contractor 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 each contractor's folder. 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 Communities Unlimited, Inc. following a competitive bidding process. Once a selection is made, bidders must be notified in writing of the results. The written communication mailed to bidders must also inform them that they may have a right to appeal the decision. Information on the organization's appeal procedures must be made available to all prospective contractors or subgrantees upon request, including the name and address of a 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.

### **Contract Administration**

Communities Unlimited, Inc. 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 greater than \$10,000 a separate file shall be maintained.
  - b. For contracts less than \$10,000, contract records may be combined in a single file by grant or other funding source.
2. Contract administration files shall contain:
  - a. The required documentation specified in the authorizations and purchasing limits table for the original scope of work and for all amendments.
  - b. Where the contract work is identified in the grant award or budget, the identification and scope of the work contained in the award or budget, and all approved changes.
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:
  - a. For each grant award, based on the applicable laws, regulations and grant provisions, the Program Director shall establish and maintain a system to reasonably assure contractor:
    - i. Conformance with the terms, conditions, and specifications of the contract, and
    - ii. Timely follow-up of all purchases to assure such conformance and adequate documentation.
5. The Program Manager will authorize payment of invoices to contracts after final approval of work products.

## **SUBRECIPIENTS**

### **Making of Subawards**

From time to time, Communities Unlimited, Inc. may find it practical to make subawards of federal funds to other organizations. All subawards in excess of the simplified acquisition threshold shall be subject to the conflict of interest policies described in the preceding section. In addition, all subrecipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

Communities Unlimited, Inc. is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate monitoring. Evaluations may include such factors as: (2 CFR Part 200.331(b))

- The subrecipient's prior experience with the same or similar subawards;
- The results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
- Whether the subrecipient has new personnel or new or substantially changed systems; and
- The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

In addition, Communities Unlimited, Inc. shall obtain the following documents from all new subrecipients:

1. Articles of Incorporation
2. Bylaws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last three years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last three years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with 2 CFR Part 200.500 – 521, if applicable)
6. Copy of the most recent internally-prepared financial statements and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations, or monitoring procedures performed in the last three years

### **Monitoring of Subrecipients**

When Communities Unlimited, Inc. utilizes federal funds to make subawards to subrecipients, Communities Unlimited, Inc. is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all subawards of federal funds made by Communities Unlimited, Inc. to subrecipients:

The following required information will be provided to all subrecipients:

1. Federal Award Identification.
  - a. Subrecipient name (which must match registered name in DUNS);
  - b. Subrecipient's DUNS number ;
  - c. Federal Award Identification Number (FAIN);
  - d. Federal Award Date;
  - e. Subaward Period of Performance Start and End Date;
  - f. Amount of Federal Funds Obligated by this action;
  - g. Total Amount of Federal Funds Obligated to the subrecipient;

- h. Total Amount of the Federal Award;
  - i. Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
  - j. Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
  - k. Catalogue of Federal Domestic Assistance (CFDA) Number and Name. Communities Unlimited, Inc. must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
  - l. Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).
2. All requirements imposed by Communities Unlimited, Inc. on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
  3. Any additional requirements that Communities Unlimited, Inc. imposes on the subrecipient in order for Communities Unlimited, Inc. to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
  4. An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between Communities Unlimited, Inc. and the subrecipient, or a de minimis indirect cost rate as defined in § 200.414 Indirect costs.
  5. A requirement that the subrecipient permit Communities Unlimited, Inc. and auditors to have access to the subrecipient's records and financial statements as necessary for Communities Unlimited, Inc. to meet the monitoring requirements of 2 CFR Part 200; and
  6. Appropriate terms and conditions concerning closeout of the subaward.
  7. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
  8. Subawards shall require that subrecipients submit financial and program reports to Communities Unlimited, Inc. on a basis no less frequently than Quarterly.
  9. Communities Unlimited, Inc. will follow up with all subrecipients to determine whether all required audits have been completed. Communities Unlimited, Inc. will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with 2 CFR Part 220.501. For subrecipients that properly obtain an audit in accordance with 2 CFR Part 200.501, Communities Unlimited, Inc. shall obtain and review the resulting audit reports for possible effects on Communities Unlimited, Inc.'s accounting records or audit.
  10. Communities Unlimited, Inc. shall assign one of its employees the responsibility of monitoring each subrecipient on an ongoing basis during the period of performance by the subrecipient. This employee will establish and document, based on her or his

understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.

11. Ongoing monitoring of subrecipients will vary from subrecipient to subrecipient based on the nature of work assigned to each. However, ongoing monitoring activities may involve any or all of the following:
  - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
  - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
  - c. Monitoring subrecipient budgets.
  - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
  - e. Offering subrecipients technical assistance where needed.
  - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to ensure that appropriate corrective action is taken.
  - g. Establishing and maintaining a tracking system to ensure timely submission of all reports required of the subrecipient.
12. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.
13. In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward with Communities Unlimited, Inc., responsive actions by the Organization shall be determined jointly by the CFO and Program Managers. Such actions may consist of any of the following actions:
  - a. Increasing the level of supporting documentation that the subrecipient is required to submit to Communities Unlimited, Inc. on a monthly or periodic basis.
  - b. Requiring that subrecipient prepare a formal corrective action plan for submission to Communities Unlimited, Inc..
  - c. Requiring that certain employees of the subrecipient undergo training in areas identified as needing improvement.
  - d. Requiring documentation of changes made to policies or forms used in administering the subaward.
  - e. Arranging for on-site (at the subrecipient's office) oversight on a periodic basis by a member of the Communities Unlimited, Inc. accounting or grant administration staff.
  - f. Providing copies of pertinent laws, regulations, federal agency guidelines, or other documents that may help the subrecipient.
  - g. Arranging with an outside party (such as Communities Unlimited, Inc.'s own independent auditors) for periodic on-site monitoring visits.
  - h. Reimbursing after-the-fact, and not provide advances.
  - i. Requiring review and approval for each disbursement and all out-of-area travel.
  - j. As a last resort, terminating the subaward relationship and seeking an alternative.

## **POLITICAL INTERVENTION**

### **Prohibited Expenditures**

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, Communities Unlimited, Inc. 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**

Communities Unlimited, Inc. 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 Communities Unlimited, Inc., 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 Communities Unlimited, Inc. 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 personnel 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 Communities Unlimited, Inc.. 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, Communities Unlimited, Inc. 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 allocated costs in accordance with cost allocation policies described elsewhere in this manual.

# CHARGING OF COSTS TO FEDERAL AWARDS

## Overview

Communities Unlimited, Inc. 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 2 CFR Part 200.400 – 475, Cost Principles, particularly:
  - a. The list of specifically unallowable costs found in 200.421 – 475, Selected Items of Cost, such as alcoholic beverages, bad debts, contributions, fines and penalties, 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 consistently treated 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)*). Communities Unlimited, Inc. 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 Program Managers.

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 year-end for financial statement purposes).

### **Indirect Cost Rate**

Communities Unlimited, Inc. maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared and submitted to the Division of Cost Allocation for approval. The approved indirect cost rate is used when determining the overhead applied to each federal award and major function.

## **ACCOUNTS PAYABLE MANAGEMENT**

### **Overview**

Communities Unlimited, Inc. 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 bank account 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 and should be reviewed and approved by a Program Managers 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 daily 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 an accounting clerk.

- Any additional copies of the emailed invoice will be deleted. .
- No payments will be made from contractor statements.

### **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 the fifth day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

### **Preparation of a Purchase Order**

Prior to any accounts payable being submitted for payment, a Purchase Order shall be completed. Each purchase order shall contain the following documents:

1. Contractor invoice (or employee expense report)
2. Packing slip (where appropriate)
3. Any other supporting documentation deemed appropriate

### **Processing of Purchase Orders**

The following procedures shall be applied to each purchase order by the Staff Accountant:

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 general ledger distribution, using the Organization's current chart of accounts.
4. Obtain the review and approval of the Program Managers (or designee) associated with the goods or services purchased.

Upon receipt, each invoice shall be stamped "date received", scanned, and copies distributed to the appropriate personnel for approval.

Approvals by Program Managers 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, agreement that purchase is an allowable purchase under the grant guidelines, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual, and date of approval.

### **Payment Discounts**

To the extent practical, Communities Unlimited, Inc. 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 Reports**

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form. (See further policies under "Travel and Business Entertainment.") All required receipts must be emailed to [billing@communitiesu.org](mailto:billing@communitiesu.org) and the employee's program manager, and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle if received by the 10<sup>th</sup> or the 25<sup>th</sup>. If not, it will be processed at point of next check run. Expenses older than three months will not be reimbursed.

The Program Managers will check expense reports 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 CFO.

Also on a monthly basis, the Staff Accountant shall perform the following procedures:

Check all statements received for unprocessed invoices.

### **Management of Accounts Payable Contractor Master File**

Upon the receipt of an invoice from a new contractor that is not already in Communities Unlimited, Inc.'s Accounts Payable Contractor Master File, the Staff Accountant shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the vendor's full address and federal employer identification number.

For all contractors 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 purged (or made inactive) from the master contractor file. In addition, on an annual basis an internal audit shall be performed of the master contractor file and payments made to each contractor. This analysis, to be performed by the CFO shall consist of the following procedures, at a minimum:

1. Cross-checking of contractors with matching street or P.O. 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 CEO.

## **TRAVEL**

### **Travel Advances**

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. 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 in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgment of, and agreement with, these policies. Employees should submit a written request (on the available form) to their supervisor when travel advances are needed. All travel advances are processed as paper checks and fall under normal purchasing procedure deadlines. Any outstanding advances more than 15 days old will be deducted from an employee's next reimbursement check, unless other arrangements are made.

### **Employee and Director Business Travel**

Semi-monthly, an employee or member of the Board of Directors who has incurred business-related expenses should complete an expense report 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 Communities Unlimited, Inc.'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 reimbursed mileage and per diems, all business expenses must be supported with invoices/receipts.
4. Communities Unlimited, Inc. will reimburse employees at per diem rates. Therefore, meal receipts are not required except for business entertainment which is addressed in Point 9 below.
  - a. It is the Organization's policy that payment for the first and last day of travel will be calculated based on when the employee left and when they returned.

- b. If the conference or meeting which the traveler attends provides a meal, 1 per diem for each meal provided 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.
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 return trip boarding pass(es)).
7. Mileage may be reimbursed at \$0.45 per mile.
8. General ledger account coding must be identified for all expenditures.
9. For all meals and other business expenditures, the following must be clearly identified:
  - a. Names, titles, organizations, and business relationships of all persons
  - b. The business purpose of the meal or other business event (topics discussed, etc.)
  - c. Meal receipts should be the actual, detailed receipt, not the credit card receipt. The credit card receipt may not provide enough detail.
10. All expense reports must be signed and dated by the employee.
11. All expense reports must be approved by the employee's Program Manager.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to Communities Unlimited, Inc. (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 report results in a balance due to the employee, the employee will be reimbursed through the next check run.

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

### **Reasonableness of Travel Costs**

Communities Unlimited, Inc. 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. 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. Expense reports should explain long-distance charges.
5. Reasonable tips for baggage handling shall be reimbursed. No receipts are required.

### **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 which 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. Cost of upgrade certificates is not reimbursable.
6. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable.
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be documented that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).
8. 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., Communities Unlimited, Inc. will not reimburse for the personal legs of a trip).
9. 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 providing 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 for all entity travel; and
3. Are only temporary during the travel period.

### **Spouse/Partner Travel**

Communities Unlimited, Inc. 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**

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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 Finance Department.

Corporate cell phone holders will be required to sign a statement acknowledging that the cell phone shall not be used while driving, unless they are using a hands free device. Texting while driving, even if using a hands free device is prohibited. The cell phone holder also agrees to take reasonable precautions to protect the cell phone from loss or theft by storing it in a secure location.

While corporate-issued cell phones are intended for Organization-related business use, Communities Unlimited, Inc. recognizes that occasional personal use may occur. Because such employer-provided cell phones are considered to be a working condition fringe benefit, the Communities Unlimited, Inc. 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 Plans**

The Finance Department will negotiate a master cell phone contract with a single 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.

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

The Finance 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 CFO.

Upon receiving the cell phone, the employee is required to sign a statement of receipt and acceptance of responsibility for corporate cell phones.

Cell phone holders shall report the loss or theft of a corporate cell phone immediately by notifying the CFO.

### **Revocation of Corporate Cell Phones**

Failure to comply with any of these policies associated with the use of Communities Unlimited, Inc.'s corporate cell phones shall be subject to possible revocation of corporate cell phone privileges. The CFO, with the approval of the CEO, shall determine whether cell phones are to be revoked.

### **Employee Cell Phones**

Employees and officers needing to make periodic legitimate Organization business calls when they are off-site may elect to utilize 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. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures and the guidelines above for detailing the calculation method for reimbursement as a part of this policy.)

### **Personal Cell Phones or Similar Devices at Work**

Employees of Communities Unlimited, Inc. 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**

Communities Unlimited, Inc. prints contractor checks and expense reimbursement checks on a semi-monthly 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 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 the accounting 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 two signatures. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

Check signers should examine all original supporting documentation to ensure that each item has been properly reviewed prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

### **Mailing of Checks**

After signature, checks are returned to the Staff Accountant, who then mails checks immediately.

### **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 may be made for checks lost in the mail or other valid reasons. Stop payments are processed by written authorization to the bank by the CFO. A void check entry is made to record the stop payment and any related bank fees.

### **Recordkeeping Associated with Independent Contractors**

Communities Unlimited, Inc. 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 contractors shall be accumulated over the course of a calendar year.

### **Control Grid – Purchasing and Disbursements**

Communities Unlimited, Inc. 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:

- A. Staff Accountant
- B. CFO
- C. Program Manger
- D. Employee
- E. CEO

<b>Duty</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Inputs data into vendor master file	X				
Obtains Form W-9 from new contractors	X				
Initiates purchases				X	
Authorizes purchases			X		
Prepares purchase order/requisition				X	
Prepares request for proposal			X		
Administers collection of proposals		X			
Evaluates proposals		X	X		
Selects contractor		X	X		
Receives contractor invoice				X	
Approves contractor invoice			X		
Assigns general ledger coding			X		
Inputs invoice into A/P system	X				
Selects A/P to be paid	X				
Runs A/P checks	X				
Reviews checks	X				
Signs checks			X		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**

Communities Unlimited, Inc. recognizes that there will be occasions when employees need to use a corporate credit card. Therefore, the Organization has one credit card available to be checked out by employees upon approval by their supervisors. The cards will be retained in a locked cabinet in the central office.

Card users will be required to sign a statement acknowledging 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.
- The cardholder understands and agrees to disciplinary procedures for misuse of the card.

### **Card User Responsibilities**

Card users will complete a purchase order for each credit card transaction, as clarified in the purchase order section of this manual, when they return the credit card. If the Finance Department is missing a receipt when the monthly statement is reconciled, the Staff Accountant will follow up with the appropriate employee to get the receipt.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the CFO for further investigation with the 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.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying CFO.

### **Revocation of Corporate Credit Cards or Purchasing Cards**

Failure to comply with any of these policies associated with the use of Communities Unlimited, Inc.'s corporate credit shall be subject to possible revocation of card privileges. The CFO, with the approval of the CEO, shall determine whether credit cards or purchasing cards are to be revoked.

### **Employee Credit Cards**

Employees and officers incurring legitimate Organization business expenses are expected to utilize their personal credit cards for such expenditures. The Organization shall reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Travel advances may be requested in special circumstances (e.g., situations in which legitimate business expenses are expected to exceed an employee's credit card limit or other special cases).

## **PAYROLL AND RELATED POLICIES**

### **Classification of Workers as Independent Contractors or Employees**

Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 CFO in consultation with the Human Resources Director shall make the final determination.

### **Wage Comparability Study**

Communities Unlimited, Inc. will perform wage comparability studies every three years to ensure the salary and wage structure is similar to other organizations of like size 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 CEO and CFO), a triennial study shall involve a salary and benefits survey conducted by an independent organization. The analysis of the CEO salaries and benefits shall be conducted under the direction of the Board of Directors. If an appropriate survey cannot be located, the Board 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 once every three years, the Board shall document its consideration and authorization of the salaries and benefits of the CEO on an annual basis, prior to the beginning of each fiscal year.

### **Payroll Administration**

Communities Unlimited, Inc. operates on a semi-monthly payroll. Personnel/Benefit files are established and maintained for all employees with current documentation, as described throughout this section and more fully described in Communities Unlimited, Inc.'s Employee Handbook.

The following forms, documents, and information shall be obtained and maybe included in the personnel/benefit files of all new employees (legally protected information will be masked/destroyed as required by law):

1. Communities Unlimited, Inc. Employment Application (and resume, if applicable)
2. Applicant references (work & personal)
3. Interview questions and notes
4. Form W-4 Employee Federal Withholding Certificate
5. State Withholding Certificate
6. Form I-9 Employment Eligibility Verification
7. Copy of driver's license
8. Copy of Social Security card issued by the Social Security Administration
9. Starting date and scheduled hours
10. Job title and starting salary
11. Authorization for direct deposit of paycheck, along with a voided check or deposit slip
12. Job description

For employees without a current, valid driver's license, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Voter's registration card
4. U.S. Military card
5. ID card issued by a federal, state, or local government, provided it contains a photo
6. School record or report card (for persons under age 18 only)

For employees without a Social Security card, acceptable alternative documents shall include:

1. U.S. Passport
2. Certificate of U.S. Citizenship (INS Form N-560 or N-561)
3. Original or certified copy of a birth certificate issued by a state, county, or municipal authority
4. Certificate of Birth Abroad issued by the Department of State (Form FS-545 or Form DS-1350)
5. U.S. Citizen ID Card (INS Form I-197)
6. Native American tribal document
7. ID Card for use of Resident Citizen in the United States (INS Form I-179)

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

If required by specific grants, the employee payroll file must also include a pre-employment 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 appropriate Program Manager, the Human Resources Director, CFO and/or the CEO, as required by Organization policy.

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 personnel file.

### **Payroll Taxes**

The Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Finance Department may utilize the services of an outside payroll service center for the processing of payroll, as determined by the CFO.

Communities Unlimited, Inc. will request an updated Form W-4 from each employee in January of each year. If there are no changes from the prior year, employees are not required to provide a new W-4. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

### **Personnel Activity Reports (Timesheets)**

Communities Unlimited, Inc. 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 practices of 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 a direct or indirect cost activity.

## **Preparation of Timesheets**

Each Communities Unlimited, Inc. employee must submit to the Finance Department a signed and approved timesheet no later than 10:00 AM on the 10<sup>th</sup> and 25<sup>th</sup> of the month. 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.
3. Employees shall identify and record hours worked based on the nature of the work performed.
4. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.
5. Timesheets shall be electronically signed by the employee prior to submission.

After preparation, Program Managers or their designees shall approve timesheets prior to submission to the Finance Department.

## **Processing of Timesheets**

The Staff Accountant will print all employee timesheets. Hourly employee timesheets will be for the time period ending the day before processing (for example if we are processing on the 10<sup>th</sup>, the time period will be the 25<sup>th</sup> of the previous month through the 9<sup>th</sup> of the current month). Salary employee timesheets will be for the previous pay period (For payroll being processed on the 10<sup>th</sup> the time period will be for the 16<sup>th</sup> through the last day of the previous month). The staff accountant will then review all the timesheets looking for anything irregular and verifying that the number of hours worked for salaried employees during the pay period coincides with the number of days in the pay period. She will check hourly employees' time for overtime. When errors are noted the Staff Accountant will mark them on the printouts. She will consult with the CFO and then enter the time (vacation/sick hours for salary employees and number of hours worked for hourly employees) into ADP. The payroll file is then given to the CFO for processing.

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, the CFO, the HR Director, and Check Signers will review payroll prior to its distribution to employees. The CFO, the HR Director, and the Check Signers shall sign and date the payroll register indicating approval of the payroll.

## **Distribution of Payroll**

Payroll payments are direct deposited to each employee's specified bank account, by ADP, our 3<sup>rd</sup> party payroll service. ADP also sends each employee a check stub electronically.

## **Control Grid – Payroll and Human Resources**

Communities Unlimited, Inc. 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:

- A. Human Resources Director
- B. CFO
- C. Staff Accountant
- D. ADP
- E. Program Managers/CEO

Duty	A	B	C	D	E
Authorizes new hires					X
Authorizes salary adjustments	X				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					X
Enters timesheets			X		
Reviews input of timesheet data		X			
Reviews distribution of time					X
Reviews payroll register		X			
Prints checks (or paystubs)				X	
Signs payroll checks				X	
Distributes checks (paystubs)				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 disbursements. All cash and credit card deposits are made to this account.

Cash transfers are done on an as-needed basis to cover disbursements. Excess funds in this account are transferred into short-term investments or higher interest-bearing cash equivalents.

In addition, all advances of federal funds shall be deposited in an interest-bearing account and interest earned in excess of \$500 shall be returned to the Federal Payment Management System (PMS). Interest earned on such funds will be allocated to federal awards based on the percentage of funds received during the month for each award.

***Payroll Account:***

The payroll account is separate from the operating account. The payroll account is a zero-balance account. As such, only the amount needed to cover each payroll is transferred into this account from the operating account, based on the amount calculated or communicated by the outside payroll service center.

Transfers from the operating account into the payroll account are initiated by the CFO.

***Sweep Account:***

The Organization also maintains an interest-bearing sweep account. Any funds in excess of the minimum target balance needed to be held in the operating checking account shall be transferred into the Organization's sweep account nightly. These funds are swept back into the operating account each morning.

Communities Unlimited also maintain various other accounts as required by funding agencies. These accounts have limited activity. All transactions in or out of these accounts is reviewed by the CFO.

**Authorized Signers**

The following Communities Unlimited, Inc. personnel are authorized to sign checks drawn on the general operating and payroll accounts:

- Bruce Darr
- Mark Rounsavall
- Elaine Crutchfield
- John Squires
- Ines Polonius

CFO will promptly notify the Organization's financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the section titled "Check Signing" for procedures.

**Bank Reconciliations**

Bank account statements are received each month and forwarded to the CFO, who prepares reconciliation between the bank balance and general ledger balance.

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

Monthly the CEO audits the bank accounts by logging into the online statements and pulling a sample for review. Her audit sample is documented and retained in the bank account audit binder in her office.

## **Cash Flow Management**

The CFO 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 are performed on an as-needed basis.

Communities Unlimited, Inc. adheres to the requirements of its grants which 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**

Communities Unlimited, Inc. will write off checks of \$1,000 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 \$1,000, 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.

Communities Unlimited, Inc. will also comply with the state 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.

## **Wire Transfers**

The CFO and the CEO shall be the only Communities Unlimited, Inc. employees authorized to transact wire transfers from Communities Unlimited, Inc. bank accounts. To prevent anyone other than the CFO and the CEO from transacting wire transfers, a system shall be employed that requires the use of pass codes and the calculation of a test-key for each wire transfer. Pass codes, issued only to the CFO and CEO, are assigned by the bank and are changed annually.

Confirmations of all wire transfers are delivered to the Staff Accountant.

## **PREPAID EXPENSES**

### **Accounting Treatment**

Communities Unlimited, Inc. 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 \$1,000 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.

### **Procedures**

The Accounting 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**

Communities Unlimited, Inc. 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 Board of Directors of a wide range of policies, and describes the prudent investment process the Board of Directors 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 Communities Unlimited, Inc. has delegated supervisory authority over its investing activities to the CEO. The CEO is responsible for regularly reporting on the Organization's investments to the full Board of Directors.

### **Accounting Treatment**

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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 Communities Unlimited, Inc. on a quarterly 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 reporting procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of Communities Unlimited, Inc. and accurately reflect the current financial condition of the Organization:

The CFO shall maintain a schedule of investments and 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.)

### **Accounting for Investments in Other Entities**

Non-exempt entities in which the Organization possesses a greater-than-50-percent ownership interest shall be consolidated into the financial statements of the Organization. A non-exempt entity as used here means any for-profit entity that is not exempt from federal income taxes, such as corporations, limited partnerships, S Corporations, LLPs, and LLCs, and that issues ownership or interests.

Entities in which the Organization holds a 50 percent or less interest, but over which the Organization exercises significant influence over operating and financial policies, shall be accounted for using the equity method of accounting. Under this method of accounting, an asset account is maintained to track the Organization's investment in the entity, and this asset account shall be adjusted upwards or downwards based on the Organization's share of the entity's profits or losses.

If the Organization holds less than 50 percent of an entity, or does not exercise significant influence, ownership shall be accounted for at the lower of cost or market value (but see later policies governing consolidations, which supplement this policy).

## **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, Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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)**

Communities Unlimited, Inc. 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 Communities Unlimited, Inc., 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, Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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 Grant Manager 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 annually by an employee who is not responsible for ordering or approving the purchase of these assets. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by Communities Unlimited, Inc.

### **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
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 Communities Unlimited, Inc. 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 CFO.

### **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.

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 5 years
General office equipment	5 years
Computer hardware and peripherals (which exceed the capitalization threshold)	3–5 years
Computer software	2–3 years
Leased assets	Life of lease
Leasehold improvements	Remaining lease term

For accounting and interim 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 CFO.

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 amount 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).

## **Write-Offs of Property and Equipment**

The CFO 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 CFO. If not located, this property will be written off the books with the proper notation specifying the reason.

# **LEASES**

## **Classification of Leases**

Communities Unlimited, Inc. classifies all leases in which the Organization is a lessee as either capital or operating leases. Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc.'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**

Communities Unlimited, Inc. 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; and
- The type, life expectancy, condition, and value of the property leased.

Rental arrangements will be reviewed every 3 to 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 Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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.

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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. The 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 vendors) of materials and services for developing or obtaining internal-use software ("developing" to include design, coding, installation, and testing).
2. Internal payroll and related 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 vendors and consultants.
2. Research and development costs.
3. General and administrative costs.
4. Data conversion.
5. Training costs.
6. Internal maintenance costs.

## **INTANGIBLE ASSETS**

## **Acquisition of Intangible Assets**

Intangible assets include a variety of items, such as copyrights, service marks, trademarks, license agreements, and videos. 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; or
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 (through sale, etc.); and
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 CFO.

### **Disclosures**

Communities Unlimited, Inc. 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 Finance 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 Communities Unlimited, Inc. at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Paid leave (see policy below)
- Rent
- Interest on notes payable

In addition, Communities Unlimited, Inc. 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 quarterly.

## **INCOME TAXES PAYABLE**

### **Accrual of Income Taxes**

Communities Unlimited, Inc. is exempt from federal income taxes. However, if Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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**

Communities Unlimited, Inc. takes several "income tax positions" that are reflected in the Organization's financial statements. The primary income tax positions of Communities Unlimited, Inc. are:

1. That Communities Unlimited, Inc. 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 Communities Unlimited, Inc. has properly determined which forms of revenue are subject to the unrelated business income tax and which forms of revenue are exempt from UBIT.

3. That the 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.
4. That Communities Unlimited, Inc.'s calculations of income, deductions, etc. reported on its state income tax return are in compliance with state laws and regulations.
5. That Communities Unlimited, Inc.'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 Communities Unlimited, Inc. 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 CFO 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 Communities Unlimited, Inc. shall be the responsibility of the CFO.

The CFO shall provide a briefing to the Board of Directors and obtain the committee's concurrence each time an income tax position is established or changed.

## **NOTES PAYABLE**

### **General Policy**

Communities Unlimited, Inc. requires that all notes payable be approved by the Board of Directors and signed by the CEO.

### **Recordkeeping**

Communities Unlimited, Inc. 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 with 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.

## **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 Communities Unlimited, Inc.'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 Finance Department is to prepare accurate financial statements in accordance with generally accepted accounting principles 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 a monthly basis by the 10<sup>th</sup> of each month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 5<sup>th</sup> of the month, and actual depreciation expense.

### **Review and Distribution**

All financial statements and supporting schedules shall be reviewed and approved by the CFO prior to being issued.

After approval by the CFO, a complete set of monthly financial statements, including the supplemental schedules described above, shall be distributed to the following individuals:

- CEO
- Program Managers and any other employee with budget-monitoring responsibilities

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

### **Quarterly Distribution**

On a quarterly basis, the Board of Directors will be provided with summary program and/or grant financial information.

### **Annual Financial Statements**

On an annual basis, the Organization shall prepare, under the direction of the CFO, a complete set of GAAP financial statements, including footnotes addressing all disclosures required by GAAP. These financial statements shall be presented to Communities Unlimited, Inc.'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 Organization's Annual Meeting. See separate policies regarding the annual audit under "Financial Management Policies."

## **PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

### **Consolidation Policy**

While Communities Unlimited, Inc. shall maintain accounting records and prepare financial statements on a stand-alone basis, to facilitate financial management and preparation of reports and tax filings that must be prepared solely for the Organization, the Organization may also be required to prepare consolidated financial statements in order to fully comply with GAAP. When consolidated financial statements are prepared, a single set of financial statements is prepared that combines the assets, liabilities, net assets, revenues, expenses, gains and losses, and financial statement disclosures of multiple entities, with intercompany transactions eliminated.

The types of entities that Communities Unlimited, Inc. is affiliated with that may result in the requirement to be consolidated with Communities Unlimited, Inc.'s financial statements are:

1. Other nonprofit organizations
2. Corporations in which Communities Unlimited, Inc. has an ownership interest
3. Partnerships and LLCs

Communities Unlimited, Inc. shall prepare consolidated financial statements that include the accounts of other nonprofit organizations if both of the following conditions are met:

1. Communities Unlimited, Inc. has an economic interest, as defined in the AICPA's Statement of Position 94-3, in the other nonprofit organization.
2. Communities Unlimited, Inc. has control over the appointment of a majority of a fully constituted board of the other nonprofit organization (i.e., Communities Unlimited, Inc. can appoint, approve, or reject the appointment of voting board members).

In addition, Communities Unlimited, Inc. shall prepare consolidated financial statements that include the accounts of another nonprofit organization if Communities Unlimited, Inc. is the sole corporate member of the other nonprofit organization.

With respect to corporations that issue ownership interests, Communities Unlimited, Inc. shall prepare consolidated financial statements that include the accounts of such corporations only if Communities Unlimited, Inc. has a controlling financial interest in such corporation, as evidenced by ownership of a majority of the voting shares of stock in the corporation, and only control does not lie with another party as a result of bankruptcy or reorganization.

With respect to partnerships and LLCs, Communities Unlimited, Inc. shall prepare consolidated financial statements that include the accounts of such entities if it holds a controlling financial interest in any of these entities, as usually evidenced by ownership interests.

However, for limited partnerships, in cases in which Communities Unlimited, Inc. is the sole general partner, it shall prepare consolidated financial statements that include the accounts of such limited partnership, regardless of its percentage interest in the profits or losses of the partnership, if Communities Unlimited, Inc. is deemed to have control over the limited partnership. Communities Unlimited, Inc., if it is the sole general partner, shall be considered to have control over the limited partnership, regardless of its percentage interest in the profits or losses of the limited partnership, unless the limited partners have one of the following rights, as determined by reviewing the partnership agreement:

1. The substantive ability to dissolve the limited partnership or remove Communities Unlimited, Inc. as the general partner without cause.
2. Substantive participating rights, such as selecting, terminating, and setting compensation of management of the partnership or establishing operating and capital decisions of the partnership.

## **GOVERNMENT RETURNS**

### **Overview**

To legitimately conduct business, Communities Unlimited, Inc. 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 Communities Unlimited, Inc. include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports, annual reports for corporations, property tax returns, income tax returns, sales tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

### **Filing of Returns**

The CFO shall be responsible for identifying all filing requirements and ensuring that Communities Unlimited, Inc. 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 Communities Unlimited, Inc. include, but are not limited to, the following returns:

1. **Form 990** – Annual information return of tax-exempt organizations, filed with IRS. Form 990 for Communities Unlimited, Inc. is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 990-T** – Annual tax return to report Communities Unlimited, Inc.'s unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.
3. **Form 5500** – Annual return for Communities Unlimited, Inc.'s employee benefit plans. Form 5500 is due on the last day of the seventh month after the end of the plan year, but a 2½-month extension of time to file may be requested using Form 5558.
4. **W-2s and 1099s** – 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 to the federal government by February 28. Generally, Form 1099 is required only if the organization has provided more than \$600 in compensation to an independent contractor during the calendar year.
5. **Form 940** – Annual federal unemployment tax return filed with IRS, for all employers other than charitable organizations exempt from FUTA (but not necessarily state unemployment tax) under IRC section 501(c)(3), due January 31.
6. **Form 941** – Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. 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.

Communities Unlimited, Inc.'s fiscal and tax year-end is September 30. All annual tax and information returns of Communities Unlimited, Inc. (Form 990, Form 990-T) are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the Organization's external Payroll Administrator.

Communities Unlimited, Inc. complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each Communities Unlimited, Inc. employee.

### **Review of Form 990 by Board of Directors**

A draft of Communities Unlimited, Inc.'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 official Board minutes of the meeting.

### **Public Access to Information Returns**

Under regulations that became effective in 1999, Communities Unlimited, Inc. 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 and Form 990-T, if applicable) excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A.
2. Communities Unlimited, Inc.'s original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

Communities Unlimited, Inc. adheres to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of Communities Unlimited, Inc. during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The CFO 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 Communities Unlimited, Inc., the Organization shall require prepayment of all copying and shipping charges. For requests for copies that are received without prepayment, Communities Unlimited, Inc. 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 requesters via Priority Mail, thus, shipping charges will be a standard \$3.00 per shipment.
4. After payment is received, all requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the Finance Department.

5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits.
6. Communities Unlimited, Inc. shall accept certified checks and money orders for requests for copies made in person. Communities Unlimited, Inc. shall accept certified checks, or money orders, as payment for copies of forms requested in writing.

## **OTHER TAX CONSIDERATIONS**

### **State and Local Property, Sales, Use & Income Taxes**

Communities Unlimited, Inc. will monitor state and local tax laws in locations where the Organization conducts business to ensure that it is complying with all applicable tax laws. Organizations that qualify as tax-exempt charitable entities under Section 501(c)(3) of the Internal Revenue Code for income tax purposes may need to apply separately for exemptions from state and local property and/or sales tax in the various locations where they conduct business. State and local tax rules vary widely from state to state

### **State Charity Registrations**

Various states may require Communities Unlimited, Inc. to register with them for two primary reasons: if the Organization has an office, programs or owns real estate in that state and/or if they raise funds in the state.

Communities Unlimited, Inc. could be required to register and file annual reports with other states if it conducts charitable solicitations within those states. States regulate fundraising through charitable solicitation laws. State reporting can involve two components – registration and an annual financial report. The registration may be a single initial filing or an annual filing which provides information about an organization's finances and budgets. The annual financial report generally covers operating results with an emphasis on fundraising.

Communities Unlimited, Inc.'s internet fundraising efforts could be considered charitable solicitations in various other states. Communities Unlimited, Inc. will examine the reach of its internet fundraising efforts and register to solicit funds in all applicable states. Some factors Communities Unlimited, Inc. will consider in determining whether internet fundraising efforts require registration in specific states are whether the campaigns specifically target individuals in a certain state and whether Communities Unlimited, Inc. repeatedly receives contributions from a state on an ongoing or substantial basis.

## **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 CFO.

## **UNRELATED BUSINESS ACTIVITIES**

### **Identification and Classification**

Communities Unlimited, Inc. properly identifies and classifies 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 Communities Unlimited, Inc.'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**

Communities Unlimited, Inc. 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.

Communities Unlimited, Inc. 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 identify states and returns required.

## **JOINT VENTURES**

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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. Communities Unlimited, Inc. 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. Communities Unlimited, Inc. will document and follow all such requirements.

## **Preparation and Adoption**

Communities Unlimited, Inc. will prepare an annual budget on the accrual basis of accounting. The CFO gathers proposed Organization-wide budget information from all Program Managers and others with budgetary responsibilities and prepares the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by a narrative 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 CFO, a draft of the Organization-wide budget, as well as individual department budgets, is presented to the CEO for discussion, revision, and initial approval.

The revised draft is then submitted to the Board of Directors for adoption.

It is the policy of Communities Unlimited, Inc. to adopt a final budget at least 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 Finance Department 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**

Communities Unlimited, Inc. 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 Finance Department and distributed to each employee with budgetary responsibilities.

## **Budget and Program Revisions**

Communities Unlimited, Inc. 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 (Project 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 Project 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 adopted by the Organization, reclassifications of budgeted expense amounts may be made by the Program Director, with approval from the CEO.

Any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Board of Directors.

## **ANNUAL AUDIT**

### **Role of the Independent Auditor**

Communities Unlimited, Inc. 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 of Directors upon the completion of their audit. In addition, members of the Board of Directors 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 Organization's Annual Meeting.

### **Auditor Independence**

Communities Unlimited, Inc. may from time to time request the independent auditor to provide services outside the scope of the annual audit and Form 990 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 CFO, 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 CEO).
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**

Communities Unlimited, Inc. 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 3 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every three 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc. 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 Communities Unlimited, Inc.
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 Communities Unlimited, Inc.
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, including any accompanying letter of findings
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

Copies of all proposals shall be forwarded to each member of the Board of Directors.

### **Preparation for the Annual Audit**

Communities Unlimited, Inc. 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 Finance Department shall provide assistance to the independent auditors in the following areas:

**Planning** – The CFO is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. The CFO shall review the list of information requested by the auditors and assign responsibility for each item to the appropriate staff of Communities Unlimited, Inc. The CFO 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 CFO shall arrange and coordinate any and all meetings, interviews, telephone discussions, and conference calls requested by the auditor with Communities Unlimited, Inc. board members, audit or finance committee members, or employees of Communities Unlimited, Inc. to facilitate the auditor's work. Prior to any such meetings or discussions, the CFO 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 CFO shall communicate to each Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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 Communities Unlimited, Inc. from its independent auditor, the CFO 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 Communities Unlimited, Inc.
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 CFO.

It shall also be the responsibility of the CFO 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.

### **Audit Adjustments**

It is the policy of Communities Unlimited, Inc. 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 CFO 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 Audit Committee 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 Audit Committee, the CEO, and the CFO. The CEO and the CFO 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 Audit Committee for its review and approval.

### **Audit 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 Audit Committee. The CFO 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 Audit Committee members.

Some of the communications that Communities Unlimited, Inc.'s auditors may have with the Organization's Audit Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of audit 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 audit committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the audit 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 audit 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.

Audit 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 Communities Unlimited, Inc.

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. will arrange for the following types and levels of insurance as a minimum:

#### **Type of Coverage**

#### **Amount of Coverage**

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 accounting department employees and the CEO
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)

Communities Unlimited, Inc. 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, Communities Unlimited, Inc. 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

### Record Retention Policy

Communities Unlimited, Inc. retains records as required by law and destroys them when appropriate. All files, both hard copy and electronic shall be labeled with topic, year (if applicable), and 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 CFO. 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” as defined under federal laws and regulations shall be done via shredding using an approved shredding service provider.

The formal records retention policy of Communities Unlimited, Inc. is as follows:

Record	Retention
Audit reports	Permanent
Correspondence – Legal and important matters	Permanent
Deeds, mortgages, and bills of sales	Permanent
Financial statements – Year-end	Permanent
General ledgers/year-end trial balance	Permanent
Minute books of directors, bylaws, and charters	Permanent
Retirement and pension records	Permanent
Tax returns and worksheets, examination reports and other documents relating to tax filings	Permanent
Trademark registrations and copyrights	Permanent
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
Property records (incl. depreciation schedules)	7 years
Purchase orders	7 Years
Sales records	7 Years
Subsidiary ledgers	7 Years
Timesheets/cards	7 Years
Withholding tax statements	7 Years
Bank statement & reconciliations	7 Years
Chart of accounts	7 years
Employment applications	7 Years
Insurance policies (expired)	7 Years
Internal audit reports	7 Years
Internal reports	7 Years
Petty cash vouchers	7 Years
Correspondence – General	7 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.