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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for the Great Lakes Community Action Partnership, which shall be referred to as “GLCAP” or “the Organization” throughout this manual.

GLCAP is incorporated in the state of Ohio. GLCAP is exempt from federal income taxes under Internal Revenue Code Section 501(c) (3) as a nonprofit corporation. GLCAP’s tax-exempt mission is to:

We create partnerships and opportunities that help individuals, families and communities thrive.

This manual shall document the financial operations of the Organization. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff 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, President/CEO, and CFO. All GLCAP staff members are bound by the policies herein, and any deviation from established policy is prohibited.

Effective Date(s) of Accounting Policies

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

Adoption of 2 CFR Part 200

GLCAP adopted the regulations provide in 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), including the procurement standards, effective October 1, 2015.

Basis of Accounting

GLCAP’s year-end financial statements are prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Consequently, revenue, other than contributions, is recognized when earned and expenses are recognized when the obligation is incurred.

Accounting transactions will be processed and reports produced on Abila MIP Accounting Software.
GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Roles of the President/CEO and Staff

The Board of Directors hires the President/CEO, who reports directly to the board. The President/CEO is responsible for hiring and evaluating the CFO and Department Directors.

Department Directors are responsible for hiring employees to work in that department with approval from the President/CEO. All employees within a department shall report directly, or through their supervisor, to that department’s Department Director, who shall be responsible for managing and evaluating all employees within the department.

A copy of the current organization chart is maintained in the appendix.
ACCOUNTING DEPARTMENT OVERVIEW

Organization

The accounting department consists of staff members who manage and process financial information for GLCAP.

- Chief Financial Officer
- Controller
- Accountant
- Account Receivable Accountant
- Payroll Specialist
- Purchasing Specialist
- Account Payable Specialist

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 and benefits
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit
- Leases
- Insurance

Standards for Financial Management Systems

In accordance with, 2 CFR Part 200.302(b), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, GLCAP 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 CFR Part 200.302(b)(1))

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. GLCAP 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 GLCAP. 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.
INTERNAL CONTROLS

System of Internal Controls

The financial policies and procedures in this manual document GLCAP’s system of internal controls. The policies in this manual reflect decisions made by the board of directors and management, and the procedures reflect the steps or actions necessary to implement a policy. The Organization’s system of internal controls is affected by all its employees and directors and is designed to provide reasonable assurance regarding the achievement of the Organization’s reporting, operating, and compliance objectives.

In accordance with Standards for Financial Management Systems, the Organization will provide effective control over and accountability for all funds, property, and other assets. GLCAP will adequately safeguard all such assets and ensure they are used solely for authorized purposes.

ACCOUNTING DEPARTMENT SECURITY

A lock will be maintained on the GLCAP Accounting Department files, and on each accounting office. These files shall be closed and locked in the evenings and whenever the Accounting Department is vacant. The keys to these doors will be provided to key accounting personnel and the Staff Services Specialist, and other personnel as approved by the CFO. The locks will be changed whenever any of these individuals leaves the employment of GLCAP.

Blank check stock shall be stored in a fireproof file cabinet in the Accounting Department. This cabinet will be locked with a key that is kept in the Accounting Department. Access to this file cabinet shall be by keys in the possession of the CFO and Comptroller.

Petty cash is stored in a drawer locked with a key. The Petty Cash Custodian and the corresponding site supervisor will be the only employees with keys to the petty cash drawer.

Access to Electronically Stored Accounting Data

GLCAP utilizes passwords to restrict access to accounting software and data. Only check signers and duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system. Information technology staff members are restricted from accessing accounting software. This restriction provides a critical internal control. Segregating IT from the financial software protects IT staff members from possible involvement in issues relating to accuracy of accounting records and financial reporting.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, no less frequently than every 90 days. Administration of passwords shall be performed by a responsible individual independent of programming functions.

**Note:** This restriction provides a critical internal control. Segregating IT from the financial software protects IT staff members from possible involvement in issues relating to the accuracy of accounting records and financial reporting.

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, GLCAP performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.
Destruction of Consumer Information

All sensitive data must be securely stored and shredded when no longer needed. GLCAP 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 RECORD RETENTION section of this manual).

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.

GLCAP’s chart of accounts is comprised of six types of accounts:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

In compliance with the Standards for Financial Management Systems, GLCAP will identify in its accounts all federal awards received and expended and the federal programs under which they were received. (2 CFR Part 200.302(b)(1)) [45 CFR 75.302(b)(1)] To comply with this regulation, GLCAP’s account numbers will be used to identify federal awards received and expended. Each account number shall be preceded by a two-digit department number, a three-digit project/function code, and a two digit program year number.

Distribution of Chart of Accounts

All GLCAP 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 GLCAP and meets the needs of each division and department.
### Account Definitions

<table>
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<th>Category</th>
<th>Definition</th>
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<tr>
<td></td>
<td>00000–09999</td>
<td>Assets</td>
<td>Assets are probable future economic benefits obtained or controlled by the Organization as a result of past transactions or events. Assets are classified as current assets, fixed assets, contra-assets, and other assets.</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.</td>
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<td>Fixed assets (property and equipment) are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Organization and are not held for resale.</td>
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<td></td>
<td>Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable.</td>
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<td></td>
<td></td>
<td>Other assets include long-term assets acquired without intending disposal of these assets in the near future. Some examples are security deposits, property, and long-term investments.</td>
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<tr>
<td></td>
<td>10000–19899</td>
<td>Liabilities</td>
<td>Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Organization to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities are classified as current or long-term.</td>
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<td></td>
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<td>Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, short-term notes payable, and deferred revenue.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the financial statements. An example is the noncurrent portion of a mortgage loan.</td>
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<tr>
<td></td>
<td>19900–19999</td>
<td>Net Assets</td>
<td>Net Assets is the difference between total assets and total liabilities.</td>
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Revenues

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

Expenses

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

Gains and Losses

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

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

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

Changes to the Chart of Accounts

The CFO shall approve additions to, deletions from, or any other changes to the standard chart of accounts.

Fiscal Year of Organization

GLCAP 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 GLCAP’s Board of Directors.

Accounting Estimates

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

1. Allowance for doubtful accounts, uncollectible receivables
2. Amount of obsolete inventory
3. Useful lives and residual values of property and equipment
4. Fair market values of investments
5. Fair market values of donated assets
6. Values of contributed services
7. Cost allocation calculations
8. Fair values based on Level 3 inputs (i.e. based on unobservable inputs)
The CFO will reassess, review, and approve all estimates yearly. All key conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Board Finance Committee and the external audit firm.

Disclosure regarding estimates will describe the nature of the estimate’s uncertainty and will indicate that it is at least reasonably possible that a change in the estimate may occur in the near term (i.e. within one year of the date of the annual financial statements).

**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.

Only accounting staff have access to the ability to create journal entries, except for the CFO and the Comptroller who are restricted from creating journal entries. The ability to review and post journal entries is restricted to the CFO and the Comptroller.

**Reconciliation of Accounts**

To ensure the accuracy of GLCAP’s financial reporting, GLCAP will prepare and document reconciliations of asset and liability general ledger accounts on a quarterly basis. Reconciliations will prove that the balances presented in the general ledger of GLCAP agree with independent supporting documentation (i.e. bank statements, physical inventory counts, lender records). Sub-ledger accounts will be reconciled to its general ledger account (control account) each reporting period.

Reconciliations will be reviewed by the CFO or designated accounting staff who was not part of preparing the reconciliation or supporting documentation. Any discrepancies shall be immediately investigated and resolved in a timely manner.
POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Definitions

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

**Contribution** – An unconditional transfer of cash or other assets (property, etc.), as well as unconditional promises to give to the Organization, or a reduction, settlement or cancellation of the Organization's liabilities, in a voluntary nonreciprocal transfer by another entity or individual. A contribution may or may not include a donor-imposed condition or restriction (stipulation).

**Donor-Imposed Condition** – A donor-imposed stipulation that represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised. Failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or gives the contributor a right of release from its obligation to transfer its assets. In practical terms, this means a donor has imposed some type of stipulation or barrier 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. An example of a donor-imposed condition is the stipulation by a funding source that an organization must incur allowable expenditures prior to reimbursement, and that any advanced funds be returned if allowable expenditures are not incurred within the period of performance.

**Donor-Imposed Restriction** – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period, specific program or service, 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 or 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 GLCAP 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 GLCAP and another entity each receive and sacrifice something of approximately equal value.

**Nonexchange Transaction** – One entity receives something of value without directly giving value in exchange. Nonexchange transactions may include grants.

Examples of GLCAP revenue sources may include the following:

**Contracts with customers** – this may include exchange transactions.
Contributions – this may include contributions with or without donor-imposed restrictions or donor-imposed conditions, nonreciprocal transfers. Contributions might be recognized upon completion of a nonreciprocal transfer, or when a donor-imposed condition or restriction is met.

Fee-for-service income or fixed amount awards – this may include exchange transactions, reciprocal transfers, etc.

Membership dues – this may include contributions, exchange transactions, or both.

Private grants – this may include non-exchange transactions, or grants defined as contributions with or without donor-imposed restrictions or conditions.

Program income – this may include exchange transactions.

Reimbursement grants – this may include non-exchange transactions, or grants defined as contributions with or without donor-imposed restrictions or conditions.

Retail sales (thrift shops) – this may include contributions, exchange transactions, or both.

Revenue Recognition Policies

GLCAP 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, Conditional or Restricted Contribution-Based** – Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards). Grant revenue from federal and state governments is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts.

2. **Grant income, Exchange-Based** – As services are performed, based on other terms of the award/contract (for fixed price, unit-of-service, and other types of awards). Grant revenue from federal and state governments is recognized when a unit of service is provided for performance grants.

3. **Contributions** – Recognized as income when received, unless accompanied by donor-imposed conditions. All pledges, bequests and endowments shall be recognized in accordance with GAAP. Conditional contributions shall be recognized as income upon the satisfaction of the contribution. (See CONTRIBUTIONS ACCOUNTING section of manual.)

4. **Noncash (In-Kind) Contributions** – Recognized as income when received. Contributed services shall be recognized as income only to the extent that the contributed services possess either one of the following characteristics:
A. The service creates or enhances a non-financial asset (e.g., land, buildings, intangible assets, etc.).

B. The service requires a specialized skill, it is provided by an individual possessing that skill, and the service is one that would typically need to be purchased if it had not been contributed to the organization.

Examples of services contributed to GLCAP that ordinarily meet one of these criteria include: lawyers, professors, instructors, dental education, vision screening, and consultants.

All noncash contribution income received shall be recorded at fair value. (Also see the COST SHARING AND MATCHING and CONTRIBUTIONS ACCOUNTING sections of this manual.)

5. Promises to Give – 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.), unless accompanied by a condition or conditions. Conditional promises to give shall be recognized as income when any condition or conditions on which they depend are substantially met.

Unconditional Promises to Give

- Unconditional promises to give shall be recorded as assets and increases in net assets with donor restriction (contribution income) in the period that GLCAP 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 GLCAP 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.

6. **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.

7. **Fee-for-Service Income** – Recognized as income when services are rendered in accordance with the terms of the contract with the customer unless collection of amounts due is in question. In this case, revenue is recognized when payments are received.

8. **Interest, dividends, rents, or other forms of ordinary income** – monthly accrual based on when it was earned.

9. Immaterial and other lesser sources of income such as transportation fees, meal charges, or child care fees will be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the CFO.

Exchange revenue will be recognized based on the terms included in a valid, enforceable contract. All new contracts will be reviewed to ensure they are valid and enforceable and contain the information necessary to determine how to recognize revenue (e.g., clearly identified performance obligations).

To prepare required revenue recognition disclosures, GLCAP will review revenue streams and identify whether exchange revenue will be recognized at a point in time or over time. As part of this process, GLCAP will determine the status of any contract assets and liabilities (e.g., contract receivables or deferred revenues).

Also see CLASSIFICATION OF INCOME in BILLING/INVOICING POLICIES and NET ASSET sections of this manual.

**Distinguishing Contributions from Exchange Transactions (after implementation of ASU 2014-09 and ASU 2018-08)**

GLCAP receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. GLCAP shall consider the factors included in FASB ASC 958-605 when determining whether income will be accounted for as contribution income, exchange transaction revenue, or both.
ADMINISTRATION OF FEDERAL AWARDS

Definitions

GLCAP may receive financial assistance from a donor/grantor agency through grants and cooperative agreements. Throughout this manual, federal assistance received in either of these form(s) will be referred to as a federal “award.”

See REVENUE section for definitions of revenue received by GLCAP.

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals shall be reviewed and approved by the Department Director, Comptroller, CFO, and the President/CEO via the Organization’s interal review process to ensure the program goals are appropriate and the proposed budget includes all appropriate costs. All appropriate costs include the funding source providing its fair share of GLCAP’s administrative, management, and other organization-wide costs. GLCAP may refuse to consider grants based on its analysis of the cost/benefit of administering such awards and the financial resources available to appropriately cover all reasonable costs. Final proposals shall be reviewed and approved in writing by the Board of Directors, unless directed otherwise by the Board.

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. An Assistance Listings Number will 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.

Compliance with Laws, Regulations, and Provisions of Awards

GLCAP 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. Each grant manager shall attend a training on grant management prior to beginning his or her role as a grant manager (or as early in their functioning as a grant manager as practical). Thereafter, all grant managers shall attend refresher/update courses on grant management as needed.
3. The grant manager shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:

   a. Read each award and prepare a summary of key compliance requirements.
   b. Review the 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 Assistance Listing Number applicable to the award.
   d. The grant manager will communicate grant requirements to the appropriate staff.

4. The Accounting Department shall forward copies of applicable laws and regulations to the grant manager (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).

5. The grant manager and/or the 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.

6. The grant manager shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the 2 CFR Part 200 Appendix XI, Compliance Supplement, and communications with federal awarding agency personnel.

7. The grant manager shall inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The grant manager shall also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

**Document Administration**

For each grant/award received by GLCAP from a federal, state, or local government agency, an electronic 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 Program Director assigned to administer the program.

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

1. Copy of the initial application for the award and corresponding budget
2. Significant correspondence to and from the awarding agency post-application, leading up to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award
5. Copies of pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)
7. Copies of program and financial reports
8. Subsequent correspondence to/from the awarding agency
9. Results of any monitoring visits conducted by the awarding agency, including resolution by GLCAP of any findings arising from such visits
10. Correspondence and other documents resulting from the closeout process of the award

The preceding grant document file shall be organized into four sections as follows:
1. Pre-award documents
2. Post-award documents, including reports
3. Laws, regulations, and agency guidelines
4. Audit/monitoring-related documents

A Summary of Critical Award Provisions shall be prepared by the Program Manager. This summary shall include, at a minimum, the following:

1. Key compliance requirements, including citations of applicable laws and regulations
2. Important deadlines
3. Correspondence contact information at the awarding agency

The original grant document file shall be stored electronically and shared by program and accounting staff. The Program Director shall maintain an electronic file of frequently requested documents that shall consist of PDF copies of the documents included in the secure grant document file. The purpose of this electronic file of documents is to limit the potential for loss of valuable documents. Any other GLCAP employee making a valid request for access to grant documents shall be given access to the electronic files.

**Closeout of Federal Awards**

GLCAP shall follow the closeout procedures described in 2 CFR 200. 344, Closeout, and in the grant agreements as specified by the granting agency. GLCAP and all subrecipients shall liquidate all obligations incurred under the grant or contract within 120 days of the end of the grant or contract agreement.
COST SHARING AND MATCHING (IN-KIND)

Overview

GLCAP 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.

GLCAP 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 GLCAP 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.

Note: The definition of an “independent appraiser” can be found in 2 CFR Part 200.306(i)(1). An independent appraiser is a “certified real property appraiser or General Services Administrative representative”. A Real Estate® agent does not qualify.

Note: In June 2017, the Office of Head Start issued Information Memorandum ACF-IM-HS-17-01, which states that the appraiser must be licensed for the type of property appraised, generally commercial real estate, and an appraisal of more than three years old cannot be used to establish current fair market value of real property.

GLCAP does not record inkind on its books that is contributed to subrecipients of GLCAP awards. This information must be tracked manually for interim and final reports.

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

** 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. 93-383, 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)(4))
Documentation

GLCAP requires volunteers to document and account for their contributed time in a manner similar to the timekeeping system followed by employees. The Accounting Department will design and distribute the forms used to document the non-Federal share. Each program that uses volunteer labor will obtain the following information, to the extent feasible, by the requesting the volunteer complete the provided form, recording the same information required from employees to document time worked. The documentation will include:

1. Volunteer’s name and address
2. Date service was performed
3. Period of service (equal to payroll period dates)
4. Hours volunteered, if applicable
5. Volunteer’s signature
6. Signature of staff having knowledge of donation or service, authorizing signature
7. Description of service performed, volunteer activity
8. Start and end time and total hours volunteered; hour donated (time in and out)
9. Rate applied to the activity
10. Total valuation for the time period
11. [Other information necessary to comply with the grant/award/program matching requirements]

For contributions other than donated labor, the form(s) will contain the following information:

1. Date received
2. Type of donation, e.g. cash, services or goods received
3. Name of donor
4. Address of donor
5. Value of the donation
6. Signature of the donor
7. Signature of the employee receiving the donation
8. Also see GIFT ACCEPTANCE and CONTRIBUTIONS policies elsewhere in this manual.

It is the responsibility of appropriately trained staff to instruct the donor or volunteer in filling out the proper form to ensure all donations are recorded.

The original volunteer timekeeping form will be given to the Accounting Department to be tallied, valued, and recorded in the appropriate database and/or software for tracking and reporting, and recorded in the Organization’s financial records, as appropriate. The documentation will indicate the basis for the value placed on the contribution.

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**

Cash/funding received to be used for match may consist of state funds, local funds, private donations, corporate donations, or other non-federal funds. Matching funds do not include funds received from any federal source, except where the Federal statute authorizing a program specifically provides that federal funds made available for such program can be applied to matching or cost sharing requirements of other federal programs. Funds are recognized as match when the funds are expended on allowable program expenses, not when funds are received.

- GLCAP shall recognize cash contributions as in-kind income in the period in which they are spent on allowable program costs. (Note that non-in-kind cash contributions are recorded as income when they are received – see Recognition of Contribution Income (GAAP) on page 47).
- 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 certified real property appraisal of comparable space and facilities in a privately-owned building in the same locality.
- Information on the date of donation and records from the appraisal will be maintained in a property file.
- If less than an arms-length transaction, will be valued based on actual allowable costs to occupy the facility (e.g. repairs and maintenance, insurance, etc.) not to exceed fair market value.
Volunteer Time and Services

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

Examples of contributed services received and recorded as income and expense by GLCAP include volunteer time provided to the Head Start, Seniors, TRIPs, and Great Lakes Consortium program efforts.

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.

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

**Note:** This section addresses gifts to the Organization. See the Procurement section for a policy addressing gifts to employees and the Procurement Code of Conduct.

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 GLCAP. 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 GLCAP.

GLCAP will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use GLCAP’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 GLCAP 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 GLCAP,
  - would require the addition or modification of an GLCAP program,
  - would not be consistent with the mission of GLCAP,
  - would not be consistent with GLCAP’s tax-exempt purpose under IRC section 501(c)(3),
  - would require the reclassification of net assets without donor restrictions to net assets with donor restrictions
  - 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 GLCAP
- 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 Department Directors 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 President/CEO. This review and approval shall be documented on a Gift Acceptance form.

It is also the policy of GLCAP 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

Donor Privacy

GLCAP respects the privacy of its donors and also recognizes that donors wish to be connected to the organization. GLCAP 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.

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

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 (using E*Trade, etc.) of the closing price of the security on the date that the security was transferred to GLCAP (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 Comptroller, or their designee, using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the CFO – 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 GLCAP (not an appraiser hired by the donor).
4. For contributions of all other assets, fair value shall be determined by the CFO.

Contributed services that meet any of the following criteria will be recognized as contributions in the financial statements under Generally Accepted Accounting Principles (GAAP) (FASB ASC 958-605-25-16):

1. The service requires specialized skills (those provided by accountants, lawyers, architects, doctors, nurses, teachers, carpenters, electricians, plumbers, or other professionals and craftsmen).
2. The service is provided by individuals who possess those skills.
3. The service would typically need to be purchased if not contributed. An organization should only consider whether it would otherwise need to purchase the service, not whether it could afford to purchase the service.

Services that do not meet the preceding criteria will not be recognized in the financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). In-kind volunteer time used for cost sharing or matching that does not meet the GAAP criteria will be tracked and reported separately for grant purposes only.
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 Program Director and shall generally be equal to an estimate of an hourly wage rate plus estimated employee benefits costs (related to vacation, personal, sick, and holiday hours) 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.

Also see revenue DEFINITIONS and REVENUE RECOGNITION POLICIES elsewhere in this manual.

**Receipt of Donations**

Upon receipt, all monetary donations will be processed according to the Cash Receipts policies contained in this manual. Information on restriction of gifts shall be communicated to the Fiscal Department so the gift can be recorded and governed according to the wishes of the donor. After funds are deposited, check copies, cash receipts, source of the gift, intended use and any other information included with the gift is delivered to Staff Services. Staff Services will acknowledge gifts within 3 business days of receipt. Please see the following section on Receipts.

The accounting system and the donor database must be reconciled to each other at least monthly.

**Receipts, Acknowledgements, and Disclosures**

GLCAP 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, GLCAP shall adhere to the following guidelines with respect to contributions received by the Organization.

GLCAP 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 GLCAP 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 GLCAP, a description and good faith estimate of the value of those goods or services.

**Quid Pro Quo Transactions**

When GLCAP 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 GLCAP is made both as a contribution and as a payment for goods or services provided by the donee organization. In such instances, GLCAP 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 GLCAP 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 GLCAP.
All estimates of the fair market value of goods or services provided by GLCAP shall be prepared by the Accounting Department.

Examples of quid pro quo transactions that GLCAP is involved with include the Great Lakes Consortium International Women’s Day Luncheon and other similar fund-raising events.

GLCAP 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**

The CFO will provide a signed Form 8283 to donors who have made a noncash contribution, as requested.

- Signature of an organization official on Form 8283 signifies an acknowledgment that GLCAP is a qualified charitable organization and if GLCAP sells, exchanges, or disposes of the property within three (3) years after the date of receipt, it will file Form 8282 with the Internal Revenue Service (IRS) and give a copy of the form to the donor.
- Signature on Form 8283 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 GLCAP of the value intended to be deducted by the donor, which is useful in connection with the subsequent filing of Form 8282.
- Any Form 8283 presented by a donor for signature by GLCAP will be reviewed by the CFO, along with the donated asset and any relevant documentation pertaining to the asset’s description and condition, who will have final responsibility for agreeing or disagreeing with the donor’s description of the asset and for signing the Form 8283.
- The CFO will retain a copy of any Form 8283 that has been signed and will forward a copy of each Form 8283 to the Accountant for subsequent tracking of the donated asset. (See below.)

**IRS Form 8282, Donee Information Return**

When GLCAP subsequently sells, exchanges, or disposes of contributed noncash assets within three (3) years of the date of its receipt, GLCAP will file Form 8282 within 125 days after disposition. However, filing of this form is not required if:

- The property is valued at $500 or less, or
- The donated assets 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 assigned to the Accountant.
- Upon completion of a Form 8282 by the Accountant, the form will be reviewed and signed by the CFO. The form will be mailed to the IRS by the Accountant.
- A copy of the completed form will be given to the donor.

**Endowment Funds**
It is the policy of GLCAP to establish and accept endowments that are permanently restricted for the benefit of one or more programs or purposes within the scope of the Organization’s mission, subject to the gift acceptance policies described earlier.

It is also the policy of the Organization to account for all endowments in accordance with any and all explicitly communicated donor-imposed restrictions that have been accepted by the organization, including restrictions associated with the classification of subsequent interest income, dividend income, realized gains and losses, unrealized gains and losses, and other investment income as unrestricted, temporarily restricted, or permanently restricted, as well as future appropriations and expenditure of endowment funds. To the extent the Organization has accepted an endowment that does not include explicit donor restrictions regarding subsequent accounting for and classification of the endowment or investment income or for the appropriation and expenditure of endowment funds, GLCAP shall follow the guidelines described in the Uniform Prudent Management of Institutional Funds act as described in the Ohio Revised Code 1715.51-58.

The interpretation of how the Uniform Prudent Management of Institutional Funds act as described in the Ohio Revised Code 1715.51-58 applies to a particular endowment of GLCAP shall be made by the CFO and subject to the review and approval of the Board Finance Committee.

See the INVESTMENT and NET ASSET sections elsewhere in this manual for related policies on Endowment Funds.

**Fund-Raising Events**

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

1. Description and location of the event (including an indication of whether any type of gaming activities took place in connection with the event).
2. Total gross proceeds received in connection with the event.
3. Portion of the proceeds considered to be a contribution (equal to the amount received less the fair value of any benefits provided to donors).
4. Total costs of the event.
5. Portion of the costs attributable to direct donor benefits (i.e., the cost of any benefits provided to donors, such as the cost of a meal provided to attendees at a fund-raiser).
6. Portion of the total costs associated with:
   a. Rent or facility costs
   b. Cash prizes, if any
   c. Noncash prizes, if any
   d. Food and beverage
   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 GLCAP in connection with any fund-raising event.

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

1. Total compensated and total uncompensated (volunteer) labor hours associated with each
   event.

2. The name and address of the person or company responsible for running the Organization’s
   gaming activities, as well as a copy of their license to conduct gaming activities.

3. Documentation indicating the percentage of gaming activity operated in the Organization’s
   facility vs. an outside facility.

4. If the Organization utilizes a third party to operate gaming activities, a record shall be kept of the
   total proceeds of the gaming activity and the amount retained by the third-party operator as its
   compensation.

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

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

**Online Contributions**

GLCAP accepts donations through its website. Contributions received online will follow these
procedures:

1. Credit and debit card charges will be processed by an outsourced service provider.

2. Contributors will also be offered the option to donate through the website via electronic funds
   transfer (EFT).
3. The service provider will send daily reports to the Accounting Department detailing each amount received for a donation and the contact information of the donor.

4. The Accounting Department will reconcile the bank statement and provide an accounting of donations received online for entry into the general ledger.

5. Donations will be recorded at the gross amount, with credit or debit card fees recorded separately.

6. GLCAP will work to provide reasonable measures to safeguard protected personally identifiable information (PII).

Recording of the revenue will be done daily into the Organization’s donor database and then into the accounting system with a journal voucher.

State Registrations

It is the policy of GLCAP 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 Comptroller, subject to the review and approval of the CFO.

Disclosures of Promises to Give/ Pledges

As stated earlier, GLCAP will recognize revenue for promises to give in accordance with the REVENUE RECOGNITION POLICIES stated elsewhere in this manual. In addition, in connection with its annual financial statements, GLCAP will prepare a schedule of its promises to give as follows:

Unconditional Promises to Give
- Annual amounts to be collected in each of the next five-(5) [fiscal] years, and a total amount due thereafter.
- Amount of the allowance for uncollectible promises receivable.
- Amount of discount to net present value.
- Discount rate.
- Amount of unconditional promises to give that have been pledged as collateral.

Conditional Promises to Give
- Total of amounts promised.
- Description and amounts of each group of promises that share similar characteristics.
BILLING/INVOICING POLICIES

Overview

The Organization’s primary sources of revenue are listed in the REVENUE RECOGNITION section of this manual. Depending on the type of revenue source, the Organization may generate a bill or invoice, including a request for reimbursement.

Responsibilities for Billing and Collection

GLCAP’s Accounting 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

GLCAP 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.

GLCAP 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 Accounts Receivable Specialist, subject to review and approval by the Comptroller and the CFO.

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

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

2. GLCAP 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 GLCAP’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.

GLCAP 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 by the Accounts Receivable Specialist via the Accounts Receivable Module and posted on the books of GLCAP by the Comptroller.
If a federal award authorizes the payment of cash advances to GLCAP, the CFO may require that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, GLCAP 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 Under of Advances**

Cash drawdowns of advances from federal agencies shall be made weekly 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. GLCAP requires that federal funds will be disbursed within 24 hours of receipt using the following process:

1. On Wednesday, the Accounts Payable Specialist will print out a listing of checks to be disbursed.
2. The CFO approves the listing.
3. The day before payroll and payables are released, the Accounts Receivable Accountant will complete the Weekly Draw Down Report, summarizing the payroll and accounts payable cash needs of the respective programs. The CFO approves the report prior to drawing down the cash required.
4. The Accounts Receivable Accountant will then processes the approved draw down, which will be deposited into GLCAP’s demand account on Friday.
5. By the end of Friday, the checks are printed, signed, and disbursed in accordance with cash disbursement policies. All direct deposit transactions are scheduled for release on Friday.

On occasion, GLCAP may determine that the administrative burden for weekly cash drawdowns may be reduced by drawing down an advance of funds for expected cash needs for the period defined by the funder. In such situations, the CFO will negotiate an appropriate cash drawdown schedule with the funding agency to minimize administrative burden of preparing weekly drawdown requests and the time between receipt and disbursement of grant funds.

**Accounts Receivable Entry Policies**

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

**Classification of Income and Net Assets**

All income received by GLCAP is classified as “without donor-imposed restriction,” with the exception of the following, which will be classified as “with donor-imposed restriction”:

1. Grants and other awards received from government agencies or other grantors, which are restricted and have not been released through the performance of program services or the passage of time.
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.
3. 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. (Also see INVESTMENT section of this manual.)

From time to time, GLCAP 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, GLCAP shall classify this as income with donor-imposed restrictions.

As with all net assets with donor restrictions, when the restriction associated with a contribution has been met (due to the passing of time or the fulfillment of the purpose for which the contribution was restricted), GLCAP will reclassify the related net assets from net assets with donor restrictions to net assets without donor restrictions in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

Income received with donor-imposed restrictions may be reported as income without donor-imposed restrictions if the restrictions are met in the same reporting period.

From time to time, the GLCAP Board of Directors may determine that it is appropriate to set funds aside for specific projects. Such funds shall be classified under “Net Assets without Donor Restriction,” labeled “Board Designated,” and reported as a separate component of 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 GLCAP to establish and follow the strongest possible internal controls in this area.

**Processing of Checks and Cash Received in the Mail**

The following procedures will be followed:

- Cash receipts are received in a central location, rather than at remote sites, to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis. The CFO may approve exceptions when required by participant needs. The current exceptions are for the TRIPs farebox collected on board the vehicles, Senior Center meal donations, and Stricker / Jordan early childhood payments.
- Mail is opened and a listing of cash/checks received shall be prepared in an open area, in the presence of other employees, and under the supervision of a senior Accounting Department representative.
- The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.
- A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies.
- Deposits are prepared and taken to the bank (or scanned and transmitted) by an individual other than the employee who prepared the daily cash receipts listing.

Electronic transfers of funds are processed as follows:
The Accounts Payable Specialist notifies the Accounts Receivable Accountant when funds are received via an electronic transfer or other electronic deposit.
The Accounts Receivable Accountant matches the deposit and remittance information to the corresponding receivable recorded in the accounting system.
The Comptroller posts the receipt of funds to the receivable in the general ledger and appropriate subledger.

Endorsement of Checks

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

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

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 box and kept in a secure area until deposited. Such cash will not be used as petty cash or to make change.

Credit Card Receipts

GLCAP accepts credit card transactions and has negotiated contracts for out-sourcing of processing payment transactions. Individual GLCAP departments may not use or negotiate individual contracts any payment card companies or processors.

When clients or donors wish to make payment via credit card, they will be directed to the Organization’s website.

Reconciliation of Deposits

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

Control Grid - Revenue and Cash Receipts

GLCAP 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. Comptroller
C. Accounts Receivable Specialist
### D. Payable Specialist

### E. Staff Services / Others

<table>
<thead>
<tr>
<th>Activity</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produces invoice to bill customer/funder</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enters invoice into A/R system</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Initials receipt of funds (cash or checks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Restrictively endorses checks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Initials receipt of credit card payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Prepares initial record of funds collected</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Prepares deposit slip</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Takes deposit slip to bank</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Processes credit card payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Prog.Staff</td>
</tr>
<tr>
<td>Enters payments into A/R system</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Reconciles log of collections w/ A/R posting</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorizes credits or other adjustments</td>
<td></td>
<td>$&gt;500</td>
<td></td>
<td>$&lt;500</td>
<td></td>
</tr>
<tr>
<td>Posts credits/adjustments to A/R system</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Authorizes write-off of bad debts</td>
<td>$&gt;500</td>
<td></td>
<td></td>
<td>$&lt;500</td>
<td></td>
</tr>
<tr>
<td>Posts bad debt write-offs to A/R system</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Prepares periodic customer statements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Reconciles A/R with general ledger</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Reconciles bank statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Reviews A/R aging</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>Prog.Staff</td>
</tr>
<tr>
<td>Performs follow-up calls on old A/R</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>Prog.Staff</td>
</tr>
</tbody>
</table>
ACCOUNTS RECEIVABLE MANAGEMENT

General

Grants receivable represent amounts that have been billed under agency contracts but not collected as of the date of the financial statements. All grants receivable represent amounts owed by federal, state and local government agencies.

Accounts receivable consists of grant, contract, and fee-for-service efforts from funders and contractors.

GLCAP does not charge interest on balances that are past due.

Grants Receivable Monitoring and Recognition

GLCAP records grants receivable and income as it is earned and billed during the grant year. The Comptroller is responsible for monitoring budget-to-actual expenditures throughout the grant year. Accounting and program staff meet monthly to discuss grant fiscal results and any action needed to be taken.

Accounts Receivable Monitoring and Reconciliations

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

Credits and Other Adjustments to Accounts Receivable

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

Note: Bad debt write-offs are not allowable costs for federal grants.

Reserve for Uncollectible Accounts

GLCAP will maintain a reserve for uncollectible accounts receivable. At the end of each month, the allowance for doubtful accounts is adjusted based on balances due beyond 90 days.

Monthly adjustments to the reserve for uncollectible accounts shall be performed only with authorization from the CFO. This reserve account is used in the following months to write off those items that are deemed uncollectible after further collection efforts have been abandoned, as described earlier.
Collections

Collections are performed on a monthly basis, according to a review of the outstanding items on the accounts receivable aging report. This report shows the current month’s activity for each customer and prior balances outstanding for 30, 60, 90, and 120 days.

The customers with unpaid balances receive statements every 30 days. After a balance is unpaid for 60 days, Accounts Receivable Accountant or appropriate program staff will contact the customer/ grantor and attempt to collect the amount due.

At 90 days, if payment has not been received, the Accounts Receivable Accountant or appropriate program staff will send an electronic communication (email, inquiry through payment portal) to the customer/ grantor requesting payment or documentation that payment has been made.

At 120 days, if payment has not been received, the Accounts Receivable Accountant or appropriate program staff will send a letter through the U.S. Postal Service to the customer/ grantor requesting payment or documentation that payment has been made.

At 150 days, Accountant will evaluate the use of a professional collection service. Documentation will be maintained to support the history of collection attempts.

In addition, as part of this process, periodic phone calls will be made to the customer/ grantor and documented as part of the collection effort.

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:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Authorized in writing by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $2,000</td>
<td>Comptroller</td>
</tr>
<tr>
<td>$2,000 or more</td>
<td>CFO</td>
</tr>
</tbody>
</table>

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

If write-off procedures have been initiated, then invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account, or against the original account credited.
POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

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

GLCAP 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 department heads or their designees shall have the authority to initiate purchases on behalf of their department, within the guidelines described here. Department directors shall inform the Accounting Department of all individuals that may initiate purchases or prepare purchase orders. The Accounting Department shall maintain a current list of all authorized purchasers.

The Accounting Department shall be responsible for processing purchase orders. The President/CEO has approval authority over all purchases and contractual commitments, and shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

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

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

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate supervisor if they are offered such gifts.
- No officer, board member, employee, or agent shall participate in the selection or administration of a contractor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his or her immediate family, his or her spouse or partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the vendor selected.
- Officers, board members, employees, and agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.
- Unsolicited gifts of a nominal value up to $25.00 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 GLCAP, 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 GLCAP’s procurement procedures:

1) GLCAP 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(f))

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)) To search for federal excess and surplus property, go to www.gsa.gov and enter “how to purchase excess property” in the website search field for more information.

5) Documentation of the cost and price analysis associated with each procurement decision in excess of the simplified acquisition threshold ($250,000) shall be retained in the procurement files pertaining to each federal award. (2 CFR Part 200.324) Price analysis could include such factors as comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.
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(e)

7) GLCAP will maintain records sufficient to detail the history of procurement, including: (2 CFR Part 200.318(i)) [45 CFR Part 75.327(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) GLCAP shall make all procurement files available for inspection upon request by a federal awarding agency.

9) GLCAP shall not utilize the cost-plus-a-percentage-of-costs method of contracting. (2 CFR Part 200.323(d))

10) Consideration will be given to dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, women’s business enterprises, and labor surplus area firms. (2 CFR Part 200.321(b)(3))

11) Purchases will be made in accordance with the thresholds, required approvals, required solicitation methods, and documentation requirements indicated in the PROCUREMENT THRESHOLDS AND AUTHORIZATIONS LIMITS section of this manual.

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.

**Pre-Qualified Contractors**

GLCAP encourages departments to develop lists of approved contractors that can be used by the Purchasing Specialist throughout the year. The process to identify an approved contractor is as follows.

1. Develop a list of similar, commonly-purchased items that can be acquired from a single contractor. Examples are office supplies and classroom supplies.

2. Get cost estimates for the list in total, not for each item. Include shipping costs, if necessary.

3. Obtain 2 or 3 quotes, depending on the level of expected spending for the year

4. Compare the quotes.

5. The contractors with lowest prices, including shipping, will be approved for use during the year.

6. This process could result in multiple approved contractors if the prices are within [5%] of each other.
This process should be repeated annually, with the approved list produced by October 15. Contractors may be added throughout the year, but all contractors for pre-qualification will be reevaluated October 1.

**Bonding Requirements**

GLCAP will require bonding when deemed necessary to help ensure the interests of the organization and the funding source is protected. Minimum bonding requirements will include the following:

(2 CFR Part 200.325) [45 CFR Part 75.334]

- A bid guarantee in the form of a bid bond, certified check, or other negotiable instrument from each bidder equivalent to five percent of the bid price assuring that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
- A performance bond on the part of the contractor for 100 percent of the contract price, to be executed in connection with a contract to secure fulfillment of all the contractor's obligations under the contract.
- A payment bond for 100 percent of the contract price, executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in execution of the work provided for in the contract.

**Use of Purchase Orders**

GLCAP utilizes a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost) in excess of $3,500, 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
Purchase orders shall be pre-numbered, kept in a secure area in the Accounting Department, and issued upon request from an authorized purchaser.

All purchase orders shall be recorded in a purchase order log. At the end of each accounting period, an aged outstanding purchase order report shall be prepared and distributed to each purchasing representative and the CFO.
**Blanket Purchase Orders**

Blanket purchase orders can be created for purchases to be made throughout the year from the same contractor when the total amount to be purchased can be reasonably estimated. The blanket purchase order number will be used each time an order is placed and must appear on each invoice. Blanket purchase orders are subject to the same authorization limits and solicitation as regular purchase orders.

1. Blanket purchase orders can be used when:
   a. Purchasing repetitive, specified services or items, or categories of items from the same contractor; which are purchased and paid in a predictable manner during a certain time period, usually one (1) year.
   b. Ordering standard materials or maintenance supplies which require numerous shipments.
   c. To enable the buyer to obtain more favorable pricing through volume commitments.

2. Blanket purchase orders generally cannot be used when:
   a. No benefit will be derived over and above use of a regular purchase order.
   b. It creates an open line of credit with a contractor.
   c. Prices are unknown at ordering time, or subject to change later without notice.
   d. Quality of the contractor and/or goods or services are questionable.
   e. Control over GLCAP’s expenditures would be weakened significantly.

3. A uniform blanket purchase order format should be used and shall include the following information:
   a. The period to be covered by the blanket agreement (not exceed to one year)
   b. A cancellation clause
   c. The previous blanket purchase order number if this is a replacement blanket purchase order
   d. Items and/or categories of items to be covered by the blanket purchase order
   e. Maximum quantities, if any
   f. Prices and pricing arrangements
   g. Terms and billing arrangements
   h. Personnel authorized to issue order releases

4. Pricing: Price, F.O.B. terms, commodities, and quantity should be established before the blanket purchase order is issued.

It shall be the responsibility of the Purchasing Specialist to monitor the prices and terms of its blanket purchase orders.

**Authorizations and Purchasing Limits**

All completed purchase orders must be signed by the preparer and approved by the Department Director. The following table lists required approvals and solicitations:
<table>
<thead>
<tr>
<th>Amount of Purchase</th>
<th>Required Approvals</th>
<th>Required Solicitation</th>
<th>Required Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$10,000 (Micro Purchases) (≤ $2,000 for purchases subject to Davis-Bacon construction projects)</td>
<td>Supervisor</td>
<td>Price must be considered reasonable based on similar purchases in the past</td>
<td>Receipt</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Purchase can be made from a contractor successfully used in the past</td>
<td>Evidence of price comparison, if not using past contractor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>If a contractor used in the past cannot be used, at least 2 price quotes are required</td>
<td>Documentation of Davis Bacon on construction projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>As much as possible, micro-purchases should be rotated among qualified suppliers as long as the price is comparable</td>
<td></td>
</tr>
<tr>
<td>$10,000&lt;$25,000 (and Davis Bacon construction transactions)</td>
<td>Supervisor</td>
<td>3 quotes (oral, catalogue, Internet)</td>
<td>Documentation of bids received</td>
</tr>
<tr>
<td></td>
<td>Dept. Director</td>
<td></td>
<td>How decision was made if lowest price not used</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Bid checklist</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Proposal scoring grids including who participated in the scoring</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Proposal and contract of winning bid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Documentation of Davis Bacon on construction projects</td>
</tr>
<tr>
<td>$25,000 &lt; $250,000 (and Davis Bacon construction transactions)</td>
<td>Dept. Director</td>
<td>3 written bids (Request for Bids or Request for Proposals), sealed if required by funder</td>
<td>Copy of RFB or RFP</td>
</tr>
<tr>
<td></td>
<td>CFO</td>
<td></td>
<td>Bid checklist</td>
</tr>
<tr>
<td></td>
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<td>=&gt; $250,000 (and Davis Bacon construction transactions)</td>
<td>Dept. Director</td>
<td>3 written bids (Request for Bids or Request for Proposals), sealed if required by funder</td>
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participated in the scoring
- Proposal and contract of winning bidder
- Documentation of Davis Bacon on construction projects

The President/CEO is authorized to enter into any contract on behalf of GLCAP. Contracts of $25,000 or less must be reviewed and approved by the Department Director and the CFO but do not require approval from the President/CEO. These policies shall also apply to renewals of existing contracts.

**Approved Micro Purchase Vendors**

Accounting staff will work with departments to develop lists of approved micro purchase vendors that can be used throughout the year. The process to identify an approved vendor is as follows.

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

This process should be repeated annually, with the approved list produced by January 15. Vendors may be added throughout the year, but all vendors will be reevaluated January 1.

**Sealed Bid Method of Procurement**

The sealed bid method of procurement will be used for purchases that cost more than $250,000 and shall be used for services or goods with a fixed price including major construction projects and when required by the funder.

This method of procurement should be used if the following conditions apply:

- A complete, adequate, and realistic specification or purchase description is available;
- Two or more responsible bidders are willing and able to compete effectively for the business; and
- The procurement is appropriate for a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price and price-related factors.

The sealed bid process focuses mainly on price and occurs early in the procurement cycle, allowing bidders time to prepare their bids to meet the specifications of the bid solicitation. Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid:

- Conforms with all the material terms and conditions of the invitation for bids, and
• Is the lowest in price, also considering price-related factors.

Price-related factors such as discounts, transportation cost, and life cycle costs will be considered in
determining lowest bid. Payment discounts will only be considered when prior experience indicates
that such discounts are usually taken advantage of.

Bidders must
• Comply with all bid specifications
• Be capable of administrative capacity
• Perform the work, and/or supply the materials.

Any and all bids may be rejected with a documented reason.

Sealed bid requests will be publicized in compliance with the approved advertising procedures. See
the ADVERTISING PROCEDURES section of this manual.

**Competitive Proposal Method of Procurement**

The competitive proposal method of procurement will be used for purchases that cost more than
$250,000 and shall be used when price and other factors are considered to determine the most
advantageous proposal. Examples of some of the other factors may include those listed in the
EVALUATION OF ALTERNATIVE PROPOSERS section of this manual.

Competitive proposal procurement requirements include:

• Request for Proposals (RFPs) will be publicized (see the ADVERTISING PLAN section of this
  manual)
• RFPs must include all specifications, terms and conditions that the proposer must meet
• RFPs must include all evaluation factors and their relative importance
• Proposals must be solicited from a number of qualified sources
• **GLCAP** will conduct an evaluation of proposals received by the publicized due date in
  accordance with its established procedures (see EVALUATION OF ALTERNATIVE
  PROPOSERS section of this manual)
• Awarding the contract to the responsible proposer whose proposal is most advantageous to
  the program, with price and other factors considered
• At least two responsive proposers competing for the contract

**Advertising Procedures**

The public advertising plan is designed to encourage maximum participation in solicitation for selected
procurement methods. GLCAP will publicly advertise request for sealed bids and proposals using a
plan designed to reach the maximum potential bidders and proposers.

Examples of public advertising that may be used include:
• GLCAP’s public website
• GLCAP’s social media accounts
• Sealed bid or request for proposal databases, if available
• Print and electronic advertisements (newspapers, emails)
• Audio advertisements (radio station, Pandora©, Spotify©)
• Direct solicitation of recommended or previously used vendors/contractors
• Professional associations

Public advertisements will include, at a minimum:

• GLCAP’s legal name and address, including contact name and phone number
• Date, time and location, including address, of bid/proposal meeting
• Notice that participation in the meeting is mandatory for the bidder’s or proposer’s solicitation to be considered
• Sealed bid requests will include any specifications and pertinent attachments and will define the items or services in order for the bidder to properly respond
• Proposal requests will identify all evaluation factors and their relative importance
• Sealed bid requests will identify the time and place sealed bids will be opened (for local governments and tribal governments, bids will be opened publicly)
• Notice to bidders/proposers that incomplete bid/proposal packages will not be considered.

**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 230.44(a)(3)(iii)*)

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 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 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 Department Director, the final selection shall be approved by the President/CEO prior to entering into a contract.


Positive efforts shall be made by GLCAP to utilize small businesses, minority-owned firms, women’s business enterprises, veteran owned businesses, 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 veteran owned businesses, and labor surplus area firms are used to the fullest extent practicable. (*2 CFR Part 200.321*)

2. GLCAP will directly solicit bids or proposals from small business, minority-owned firms, women-owned business enterprises, and labor surplus area firms. These businesses will be solicited whenever they are a potential source. (*2 CFR Part 200.321(b)) [45 CFR Part 75.330(b)]
   [These efforts include veteran owned businesses.] GLCAP will ensure these businesses are included in solicitations, when practicable. (Also see ADVERTISING PROCEDURES FOR PROCUREMENT section of this manual.)

3. GLCAP will evaluate procurements to determine if it is practical to separate purchases or projects into smaller components in order to encourage solicitation responses from these
4. Establish delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women owned business enterprises. 

   (2 CFR Part 200.321(b)(3)) [45 CFR Part 75.330(b)(3)] [These efforts include veteran owned businesses.] 

   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.

5. Utilize organizations as the Small Business Administration and the Department of Commerce’s Minority Business Development Agency to determine validity of, assistance with, or location of the businesses addressed in this section, as appropriate. 

   (2 CFR Part 200.321(b)(5)) [45 CFR Part 75.330(b)(5)] [These efforts include veteran owned businesses.]

6. Consider in the contract process whether firms competing for larger contracts should subcontract with small businesses, minority-owned firms, women owned business enterprises, and labor surplus area firms. 

   (2 CFR Part 200.321(b)(6)) [45 CFR Part 75.330(b)(6)] [These efforts include veteran owned businesses.]

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

GLCAP 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 200.324(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 in 2 CFR Part 200.324(b)(2)
- The procurement exceeds the simplified acquisition threshold and specifies a “name brand” product in 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 in 2 CFR Part 200.324(b) (4).

**Note:** Under federally-defined sealed bid procurements, the purchase decision is made solely on selecting the lowest price. Most agencies prefer the RFP process which bases the decision on other factors in addition to lowest price.

- 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 in 2 CFR Part 200.324(b)(5).

**Note:** Although this section refers to federal regulations that list situations in which the funding agency may request documentation of procedures, in reality, a funding agency may make such a request at any time. Therefore, these situations should be considered red flags for potential questioned purchases.
Provisions Included in All Contracts (2 CFR Part 200 Appendix II)

GLCAP 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.


4. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the federal agency’s grant program legislation, all construction contracts of more than $2,000 awarded by GLCAP 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”). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. GLCAP will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. GLCAP shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. GLCAP shall report all suspected or reported violations to the federal awarding agency.

5. The contracts must also include a provision for compliance with the Copeland “Anti-Kickback” Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR part 3). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.

6. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** Where applicable] All contracts awarded by GLCAP 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). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard workweek of 40 hours. Work in excess of the standard workweek is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the workweek. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of
supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

7. **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.

8. **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 $150,000 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).

9. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of $150,000 or more, GLCAP 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. Likewise, since each tier provides such certifications to the tier above it, GLCAP shall provide such certifications in all situations in which it acts as a subrecipient of a subgrant of $150,000 or more.

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.” This list contains the names of parties debarred, suspended, or otherwise excluded by agencies, and contractors declared ineligible under statutory or regulatory authority other than E.O. 12549. Contractors with awards that exceed the federally-defined simplified acquisition threshold ($150,000) shall provide the required certification regarding their exclusion status and that of their principal employees.

11. Bonding requirements: See BONDING REQUIREMENTS section of this manual.


13. Right to Audit Clause. See RIGHT TO AUDIT CLAUSE section of this manual.

14. Workers’ Compensation. See INSURANCE section of this manual.

15. **Insurance and Indemnification of GLCAP** – Except for gross negligence or willful misconduct, <<Company>> shall defend, indemnify and hold harmless GLCAP and its officers, directors, employees and agents (individually and collectively, the “Indemnitees”) from and against all liability, claims, suits, damages, judgements, costs and expenses of whatever nature, including attorney fees and disbursements, to which the Indemnitees may become subject by reason of or arising out of any injury to or death of any person(s), damage to and/or loss of use of any property, or otherwise in connection with the performance or nonperformance of <<Company>>
obligations under this agreement. The provisions of this paragraph shall survive the expiration or termination of this agreement.

<<Company>> agrees to carry comprehensive general liability, contractual liability (specifically insuring the indemnity provisions contained above), hired and non-hired auto, child molestation (if applicable), and any such other coverage as may be necessary for the protection of interests of GLCAP and <<Company>>. In each such policy of insurance, <<Company>> agrees to designate GLCAP and its officers, directors, employees and agents as additional insureds with <<Company>>. The carrier and the amount of coverage in each policy shall be decided upon by <<Company>>. With the approval of GLCAP, but in no event shall limits of liability be less than One Million Dollars ($1,000,000) per occurrence.

A certificate of insurance for each policy issued in pursuant to the sections above shall be delivered to GLCAP by <<Company>>. Each of the policies required above shall expressly provide that the policy shall not be cancelled or altered without thirty (30) days’ prior written notice to GLCAP.

**Insurance and Indemnification by GLCAP** – If necessary the following paragraph may also be added to any contract: GLCAP shall indemnify and hold harmless <<Company>> and its officers, directors, and agents (individually and collectively, the “Company Indemnitees”) from and against all liability, claims, suits, damages, judgements, costs and expenses of whatever nature, including attorney fees and disbursements, to which the <<Company>> Indemnitees may become subject by reason of or arising out of any injury to or death of any person(s), damage to and/or loss of use of any property due to the gross negligence or intentional misconduct of GLCAP. The provisions of this paragraph shall survive the expiration or termination of this agreement.

**Non Competitive Purchases (Sole Source)**

This method of procurement can be used as approved in accordance with the PROCUREMENT THRESHOLDS AND AUTHORIZATION chart elsewhere in this manual for the following circumstances:

**Internal Micro-Purchase Threshold**

The aggregate amount of the procurement does not exceed the Organization’s internal micro-purchase threshold, as stated in the PROCUREMENT THRESHOLDS AND AUTHORIZATION LIMITATIONS section of this manual.

**Emergencies:**

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

**Single Distributor/Source:**

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

- The item or service is only available from one source.
- The situation is a public 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).

**Prior Written Approval**
The awarding agency expressly authorizes a noncompetitive proposal in response to a written request from GLCAP.

**Insufficient Proposers, Bidders, Offerors**
After solicitation in accordance with GLCAP’s ADVERTISING PROCEDURES FOR PROCUREMENT section of this manual, competition is deemed inadequate due to receipt of a single proposal.

**Right to Audit Clause**
GLCAP requires a “Right to Audit” clause in all contracts between the Organizations and subrecipients 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 subrecipient’s operations that apply to GLCAP, as well as all documents maintained or processed on behalf of GLCAP, for a period of three years. The clause shall state that such audit procedures may be performed by GLCAP employees or any outside auditor or contractor designated by the Organization.

**Verification of New Contractor**
The Accountant will perform additional procedures to validate the legitimacy of new contractors that shall be paid one-time or cumulative payments in excess of $25,000. For such contractors, the Accountant shall perform a limited public records search and shall contact the contractor to validate its existence.

**Contractor Files and Required Documentation**
The Accounting Department shall create a contractor folder for each new contractor from whom GLCAP 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.
Contractor files shall have the following information:

1. Completed and signed Form W-9. Contractors being reactivated are required to complete a new Form W-9 to verify current name, address, and tax ID number.
2. Contractors with a post office (PO) box shall provide a physical location address for the master file. The PO Box number may be used for postal purposes. The contractor name and physical address will be verified by performing an online search.

The following procedures will be performed prior to creating or re-activating all contractor files to help ensure that each contractor only has one master file:

1. Search for existence of the tax ID number in the master file
2. Search for name variations and name standardization (entity resolution) (e.g. Doe, John; J Doe; John Doe)
3. Search for matching or similar addresses
4. Perform an online search of the contractor and the physical address to determine validity
5. Search for matches against the employee master file

**Contractor Master File Maintenance**

GLCAP will monitor the contractor master file on a regular basis, with a full review of the master listing completed every year prior to year-end.

The Accounting Department will review the master file for:

1. Duplicate contractors. Contractors with the same or similar tax ID number, name, address, email, contact, and other information. Duplicate contractors will be [merged, inactivated].
2. Contractors with a post office (PO) box address. Contractors with only a PO Box will be required to provide a physical location address for the master file.
3. Contractors without activity in the past two will be inactivated. Inactivated contractors must go through the contractor creation process before being re-activated.
4. **GLCAP** will utilize the Internal Revenue Service (IRS) Taxpayer Identification Number (TIN) On-line Matching service to match name and TIN with IRS records.

**OFAC Database Searches**

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

**Procurement Grievance Procedures**

Any bidder may file a grievance with GLCAP following a competitive bidding process. Once a selection is made, bidders must be notified in writing of the results. The written communication to ailed 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, subgrantees or upon request, including the name and address of a contact person.

Grievances are limited to violations of federal laws or regulations, or failure of the Organization to follow its own procurement policies.

**Contract Administration**

GLCAP must maintain oversight to ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase order. GLCAP adopts the following policies and procedures on contract administration. Therefore, all contract managers will adhere to the following procedures.

1. Contract administration files shall be maintained:
   a. For each contract greater than $25,000 a separate file shall be maintained.
   b. For contracts less than $25,000, 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.
   d. The CFO may waive these requirements for continuation grants and contracts where the renewal agreements have been delayed in processing.

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 Director will authorize payment of invoices to contracts after final approval of work products.
The following flowchart summarizes the procurement process under federal regulations:

**Procurement Under Federal Regulations**

- Goods/service allowable, reasonable and necessary for program
- If appropriate, lease/purchase options considered

1. Procurement decision made
2. Organization spending authorization guidelines followed
3. Requests for bids/proposals issued as required by org. policy
4. Cost/price analysis performed & documented
5. Vendor selected & reason for selection documented

- Certifies not debarred from doing business with federal agencies
- Follows all applicable laws and contract or grant requirements

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Receipt and Acceptance of Goods

A GLCAP staff member or designated individual shall inspect all goods received. Upon receipt of any item from a contractor, the following actions shall immediately be taken:

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

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with contractors. Upon completion of the acceptance of goods, the packing slip is initialed and forwarded to the Accounts Payable Specialist to document the receipt of the goods with the voucher and related documentation.
SUBRECIPIENTS

Making of Subawards

From time to time, GLCAP may find it practical to make subawards of federal funds to other organizations. All subawards in excess of the small purchase 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.

GLCAP 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 200.332(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, GLCAP 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 GLCAP utilizes federal funds to make subawards to subrecipients, GLCAP 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 GLCAP 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. Assistance Listing Number and Name. GLCAP must identify the dollar amount made available under each Federal award and the Assistance Listing Number 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 GLCAP 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 GLCAP imposes on the subrecipient in order for GLCAP 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 GLCAP and the subrecipient, or a de minimis indirect cost rate as defined in § 200.414 Indirect costs. If the subrecipient elects to use a direct cost allocation method to account for its entity-wide costs in accordance with 2 CFR Part 200.405(d) [45 CFR Part 75.405(d)], the Organization will document this method of allocation in the subaward agreement.

5. A requirement that the subrecipient permit GLCAP and auditors to have access to the subrecipient's records and financial statements as necessary for GLCAP 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 GLCAP on a basis no less frequently than monthly.

9. GLCAP will follow up with all subrecipients to determine whether all required audits have been completed. GLCAP 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, GLCAP shall obtain and review the resulting audit reports for possible effects on GLCAP's accounting records or audit.

1. GLCAP 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.

2. 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.

3. Documentation shall be maintained in support of all efforts associated with monitoring of subrecipients.

4. In connection with any subrecipient that has been found to be out of compliance with provisions of its subaward with GLCAP, responsive actions by the Organization shall be determined by the CFO. 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 GLCAP on a monthly or periodic basis.
b) Requiring that subrecipient prepare a formal corrective action plan for submission to GLCAP.
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 GLCAP 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 GLCAP’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, GLCAP 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

GLCAP 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 GLCAP, 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 GLCAP who engage in political activities outside the scope of their employment with or service to the Organization shall at all times be mindful of maintaining a clear distinction between personal activities and those which can be attributed to the Organization.

Prohibited Use of Organization Assets and Resources

No assets or human resources of the Organization shall be utilized for political activities, as defined above. This prohibition extends to the use of Organization assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of GLCAP. 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, lobbying expenditures may be charged directly or indirectly to any federal award (i.e., the charity must have a nonfederal source of income to which such lobbying costs can be cited as the source of the activity).

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

As a public charity, the Organization has two options with respect to the Internal Revenue Code’s restriction against lobbying being a “substantial” portion of its activities. One option is to make a formal lobbying election, which results in the Organization following a specific mathematical formula to determine its lobbying limitations. Exceeding the limitation would result in an excise tax assessed to the Organization. Exceeding the limitation by 50 percent or more over a four-year period would result in loss of the Organization’s overall tax exemption. The other option is to not make the election, resulting in an entirely judgmental assessment of its lobbying activities by the IRS. If it is deemed by the IRS to have engaged in substantial lobbying for any period, the Organization would lose its overall tax exemption under this option.

GLCAP incurs lobbying expense and has made the Internal Revenue Code section 501(h) lobbying election by filing Form 5768 and will leave that election in place. As a result, the Organization shall report its lobbying expenditures by completing the section for “Election Charities” on Schedule A that accompanies its annual Form 990 information return filed with IRS.
CHARGING OF COSTS TO FEDERAL AWARDS

Overview

GLCAP 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. 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, lobbying, etc.
   b. Those costs requiring advance approval from federal agencies in order to be allowable in accordance with, 2 CFR Part 200.407, Prior Written Approval such as, participant support costs, equipment purchases, etc.

3. No costs shall be charged directly to any federal award until the cost has been determined to be allowable under the terms of the award and/or 2 CFR Part 200.400 – 475, Cost Principles. Costs determined to be unallowable will be recorded separately in the general ledger to an identifiable program number to ensure the unallowable costs are not directly or indirectly allocated to an award.

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.

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.

Shared Costs

Shared costs are those that have been incurred for some, but not all, programs or objectives and are not easily identifiable with a particular grant or programs but are necessary to the operation of these grants or programs. Shared costs will be allocated fairly to all objectives benefiting from the costs as described in GLCAP’s annual cost allocation plan approved by the CFO. Indirect costs, but not shared costs, may be allocated to benefiting objectives through the use of an indirect cost rate.

Per federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to unrestricted funds or other funds that may cover indirect or shared costs after the allocation process is complete.

Joint Costs

Joint costs are the costs of conducting joint activities. Joint activities are activities that have elements of fundraising and another activity, program, function, etc. Joint costs of joint activities will be accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Code (ASC) 958-720.
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)). GLCAP identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the appropriate project director and reviewed by the CFO, or his designee.

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 (an adjusting entry is then completed under Corporate to follow GAAP requirements to capitalized and depreciate the asset).

Indirect Costs

Indirect costs are those costs that have been incurred for common objectives and cannot be readily identified with a particular cost objective or that are necessary for the overall operation of GLCAP (management and general costs). Indirect costs are allocated to awards, programs, activities, cost objectives, etc. using an indirect cost rate. See INDIRECT COST RATE section of this manual.

After direct and shared costs have been determined and assigned directly to awards or other programs as appropriate, indirect costs are those remaining to be allocated to benefitting cost objectives. A cost may not be allocated to a federal award as an indirect cost if any other cost that was incurred for the same purpose, in like circumstances, has been assigned to a federal award as a direct cost.

Examples of indirect costs are:

- The Accounting Department
- The Human Resources Department
- Executive Management

Per federal guidelines, each grant will be charged its fair share of costs. Any costs not reimbursed by a particular funding source will be charged to corporate or other funds that may cover indirect or joint costs after the allocation process is complete.

Organizations may either apply for and receive an indirect cost rate from their cognizant agency, use a De Minimis indirect rate, or use direct costing methods which require a cost allocation plan. GLCAP has elected to use a De Minimis rate for their administrative expenses and direct costing methods to allocate their facility and common costs.
De Minimis Indirect Rate

GLCAP has adopted a 10% De Minimis rate, effective October 1, 2015, to charge all programs for defined administrative expenses. GLCAP is eligible for the 10% de minimis indirect rate because it has never received a negotiated indirect rate and receives less than $35 million in direct federal funding.

GLCAP has defined the following administrative costs to be covered by its de minimis rate; Executive Management, Human Resources, Accounting costs, Development costs, Staff Services, and the IT Director’s cost (required, per CAPLAW), but not IT staff.

GLCAP has elected to not include the following costs within the de minimis rate (except when allocated to an administrative category); facility expenses (square footage / FTE), computer expenses (per FTE), copying costs (# copies). GLCAP will continue to use cost pools and direct charge these expenses based upon a reasonable allocation of shared benefits.

GLCAP has elected to use a Modified Total Direct Costs (MTDC) as its allocation base. The Modified Total Direct Costs includes all salary and wages, applicable fringe benefits, materials and supplies, services, travel, inkind, and up to the first $25,000 of each subaward (regardless of the period of performance of the subawards under the award).

MTDC excludes equipment, capital expenditures, charges for patient care, participant rental costs, tuition remission, participant scholarships and fellowships, participant support costs, and the portion of each subaward in excess of $25,000.

Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

Tuition Remission includes charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to reporting requirements in 200.430 Compensation – personal services.

The cost principles within the Uniform Guidelines are designed to provide that all Federal Awards pay their fair share of the costs recognized under these principles (see Section 200.100(c)).

Direct Costing Procedures

Direct and joint costs are allocated to the benefiting programs using cost pools under the following policies and procedures:

1. Costs will be allocated to all programs on an equitable basis regardless of any limits imposed by funding sources. Revenue is not an allowable allocation basis.

2. As much as possible, costs will first be charged directly to benefiting programs.

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

   a. Facilities and related costs will be allocated based on square footage occupied and full time equivalents.
   b. IT costs will be allocated based full time equivalents.
4. Program-related costs will be allocated based on relevant activity measures, such as number of meals served, number of children or clients.

5. A detailed cost allocation plan is reviewed and approved at least annually by the CFO.

**Cost Allocation Plan Policy**

GLCAP prepares and maintains a Cost Allocation Plan to document its method and processes to fairly and equitably allocate direct and shared costs to the programs and activities benefitting from the cost. This plan is reviewed annually, at a minimum, and updated as necessary.
ACCOUNTS PAYABLE MANAGEMENT

Overview

GLCAP 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 where required by GLCAP policy, and should be reviewed and approved by the purchaser’s supervisor and Department Director, when required, prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.
- Invoices must be received by the end of Monday to be paid by the following Friday. Demand checks to address immediate participant and staff needs will be processed with the approval of the CFO.
- Payables are entered as they are received. Payables are aged and paid by their due date, not as soon as they are entered.

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 vendor statements shall be processed for payment.

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.

Establishment of Control Devices

The Accounts Payable Specialist establishes control of invoices as soon as they are received. Vendors will be instructed to mail all invoices directly to the Accounts Payable Department.
Upon receipt, each invoice shall be recorded on a log of invoices received, “date received” stamped, and distributed to the appropriate personnel for approval. The log is to be reviewed daily to determine which, if any, invoices have not been returned to the Accounting Department.

**Preparation of a Voucher Package**

Each invoice will be submitted for payment electronically in Microix. Each electronic submission shall contain the following documents:

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

**Processing of Electronic Voucher Packages**

Designated purchasers will use Microix to complete an electronic API voucher which includes selecting the Vendor ID, description of items purchased, general ledger coding, invoice date, and due date:

1. The original invoice and supporting documentation is attached electronically as a PDF file.
2. The completed voucher package is electronically submitted to the next level of approval.
3. Approvals continue to the next level of approval based on the dollar amount of the voucher.
4. Each approved voucher is forwarded to the Comptroller for final review.
5. Approved Microix transactions are imported from Microix into the MIP accounting software by the Accounts Payable Specialist.
6. Batch totals of the exported batch from Microix and the imported batch in MIP are compared to confirm accuracy and consistency.

Approvals by Supervisors and Department Directors indicate their acknowledgment of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the contractor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Microix provides audit trails to track every action taken on a voucher. Vouchers can be rejected for corrections and requests for additional documentation. Electronic signatures are restricted by the use of login and passwords with email notification provided for approvals and rejections. Backup documents in Microix are linked in MIP to allow access directly from MIP for monitoring and audit reviews.

**Payment Discounts**

To the extent practical, GLCAP takes advantage of all prompt payment discounts offered by contractors. 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, not previously covered by a per diem, 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 attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment if received by the end of Monday proceeding the next vendor payment cycle. Expenses must be submitted within sixty days of the month in which they occurred, or they will not be reimbursed.
The Accounting Department will periodically 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 quarterly 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 Accounts Payable Specialist shall perform the following procedures:

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

**Management of Accounts Payable Contractor Master File**

Upon the receipt of an invoice from a new contractor that is not already in GLCAP’s Accounts Payable Contractor Master File, the 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 contractors that will be paid a total of $600 or less during the Organization’s fiscal year, the vendor file data may be limited to the contractor name and address. However, for all contractors to be paid more than $600 during a fiscal year, the file shall include all of the following data:

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

Payments shall not be made to any contractor paid more than $600 whose file does not include a Federal Employer Identification Number or Social Security Number.

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 of payment histories 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 chair of the organization’s Board Finance Committee.
Verification of New Contractors

The Accountant will perform additional procedures to validate the legitimacy of new contractors that shall be paid one-time or cumulative payments in excess of $25,000. For such contractors, the Accounts Payable Specialist shall perform a limited public records search and shall contact the contractor to validate the contractor’s existence.
Approval Indicates purchase is allowable, reasonable, necessary for the program & budgeted.

Make purchase & send packing slip, other documentation of purchase to Fiscal Assistant.

PO filled out for every purchase & signed by employee making purchase.

PO sent to AP Specialist.

Invoice received & matched to PO & packing slip.

If no packing slip, send invoice to purchasing department for approval.

Invoices entered into AP module.

Review data entry on-line & correct any errors.

Post AP to the general ledger.

Go to pg 2.
## GLCAP CAC
### Purchase Order & Accounts Payable Process

<table>
<thead>
<tr>
<th>Employee</th>
<th>Supervisor (based on $ approval level)</th>
<th>Accounts Receivable Specialist</th>
<th>Comptroller (SA)</th>
<th>CFO/Check Signers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>From pg. 1</td>
<td>Print AP aging report</td>
<td>Reviews AP aging &amp; selects invoices for payment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pulls invoices approved to pay</td>
<td>Print Checks</td>
<td>Post Checks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Print Check register</td>
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<td>Go to pg 3</td>
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</tbody>
</table>
Note: Checks are never returned to the requesting department, and all checks picked up are signed for.
TRAVEL AND BUSINESS ENTERTAINMENT

Travel Advances

GLCAP has elected to utilize standard IRS/GSA per diem rates to reimburse travelers. Per diem rates may be used exclusively for meals and incidentals (fees and tips given to porters, baggage carriers, and hotel staff). When per diem rates are utilized, there is no requirement to obtain receipts from travelers to substantiate these components of business travel. Federal per diem rates are allowable expenditures for grant-funded agencies, and regulations allow 75% of the per diem on the day leaving and the day returning.

Per diem funds will be advanced for upcoming travel only upon receipt of a completed and properly approved per diem request. Travel advances are limited to the per diem amounts. Travel expenses are to be made in accordance with the Organization’s travel policies as explained later in this section.

Employees receiving per diem advances are required to submit a conference agenda, or other reasonable documentation, to confirm that the travel took place. If the original travel plans change, reducing the amount of the per diem required, employees receiving travel advances must submit a revised, reconciled per diem request returning any undocumented funds within 15 days of returning from travel.

Business Travel

GLCAP follows the Federal Travel Regulations (FTR) except where a funding source adopts more restrictive policies, then travel paid with those funds follow the funding sources procedures. Documentation must justify that participation of the traveler is necessary for the Federal award and costs are reasonable and consistent with GLCAP travel policy. (2 cfr Part 200.474(b) (1) and (2).

1. All employees, consultants, parents, and Board members must have prior authorization to travel. Overnight travel must be supported by a Request and Authorization of Official Travel form and an agenda, if applicable.

2. Mileage reimbursement is set at the current IRS rate. All mileage reimbursement must be requested on a Travel Report and must disclose the beginning and ending destination points along with the miles traveled. Beginning and ending odometer readings are not required.
   a. Mileage is reimbursed for work related use of your personal vehicle. Mileage between an employee’s personal residence and the assigned work place for the day is not a reimbursable expense. Mileage from an employee’s work site to another facility and/or location is reimbursable when the mileage is for work purpose.
   b. If your beginning worksite changes for the day to another GLCAP site, meeting, or conference, then the following rules apply:
      i. If the travel distance is shorter than your normal travel to work, then no mileage is reimbursed.
      ii. If the travel distance is longer than your normal travel to work, then reimbursement will be paid at the lesser of the distance from your home to the revised worksite or from your normal worksite to the revised worksite.
   c. For extended trips, mileage costs must be compared to the cost of car rentals, airfare, and/or other modes of transportation (with consideration for any increase or decrease in staff travel time, parking fees, cab fares, etc.). The lowest cost of comparable options will be reimbursed.
d. Any employee using their vehicle for corporate business must carry liability insurance and have a current Certificate of Insurance or a copy of their Declaration Page on file in the Human Resources Department. Employees should complete a Travel Report and submit it to Accounts Payable on a monthly basis. Mileage requests for more than one calendar month should be avoided due to program and fiscal year end dates.

e. Travel Reports not submitted within 60 days of the month end will be denied.

3. Same day Per Diem is allowable if you are traveling for more than 12 hours. A same day per diem will be issued at three quarters of the applicable M&IE rate as an appropriate per diem allowance payment for travel between 12 and 24 hours.

4. Overnight Travel - Overnight travel requires prior approval. A Per Diem Request and / or Request and Authorization of Official Travel form with an agenda is required to determine whether the trip is justified. The travel request also provides for requesting a travel advance, if necessary, in order to make the trip. Travel advances can be made up to, but not in excess of, the estimated cost of the trip or the maximum per diem rates allowed, whichever is less.

a. There are three ways to receive lodging and per diem dollars. For applicable rates, contact your director for the current Federal Register.
   i. Lodging plus per diem system (quarter method).
   ii. Actual subsistence method.
   iii. Actual subsistence and quarter methods.

b. Lodging - an employee can be reimbursed for lodging up to the maximum amounts listed in the Federal Register. Receipts are required. GSA rates for hotels are not required for conferences because they are typically at an amount lower than what an individual will pay for a room. GLCAP accepts the actual costs incurred at the hotel or close proximity of where the meeting or event is being held.

c. Meals and Incidental Expenses (M & IE) - are reimbursed up to the maximum amounts listed in the Federal Register. Receipts are not required. The actual lodging plus M & IE becomes the total maximum per diem rate for the day. Departure and arrival dates are required.
   i. Day of departure – The full M & IE per diem rates are allowed when your departure is before 8am; thereafter you are allowed three quarters of the M & IE rate on the day of departure less meals provided per the M & IE chart, as identified within the most recent Federal Travel Regulations. Day of departure is defined by calendar day and local time. If you depart at 8pm, then that is your day of departure.
   ii. Day of return – The full M & IE per diem rates are allowed when your return is after 8pm; prior to 8pm you are allowed three quarters of the full day's M & IE rate on the day of return less meals provided per M & IE chart, as identified within the most recent Federal Travel Regulations. Day of return is defined by calendar day and local time. If you arrive at 1am, then that is your day of return.
   iii. On any day that meals are provided, the respective meal rates will be deducted based on the current federal register. If a hotel provides a continental breakfast, it is not a reduction to the per diem. A conference breakfast, lunch, or dinner is deducted from the per diem.
   iv. The per diem allowance must be resolved if your actual attendance varies from the approved travel plan. If the expense report results in a balance due to GLCAP (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check. The per diem does not need to be resolved if travel was as planned.
   v. Any additional expenses incurred for maid service, phone calls, parking, etc., can be reimbursed via your monthly travel report.
   vi. International per diem rates – A reduced per diem rate will be applied if the Department Director determines in advance that meal costs will be lower than established international per diem rates, and communicates the reduced rate in advance to staff and/or participants (per CFR 301-11.200, Reduced Per Diem).
Reduced per diem for staff and/or participants, will be established at 75% of the per diem as listed in Department of State international per diem guidelines. When reduced per diem is used, the first and last day of travel will not be further reduced.

d. If you request a per diem for meals, but later discover meals are costly, you can resolve your expenses using the actual subsistence method for meals, with appropriate documentation provided to justify the change.

5. Actual Subsistence Method - Actual subsistence expense reimbursement may be authorized or approved for specific travel assignment within and outside the continental United States (Conus) if it is determined that maximum per diem allowance would be inadequate due to the unusual circumstances of the travel assignment.

a. Actual subsistence can take on various forms:
   i. High cost hotel and high cost meals.
   ii. High cost hotel but meals within our travel limits.
   iii. Hotel within travel limits but high cost meals.

b. When the hotel cost exceeds the maximum allowed, other convenient and less expensive lodgings must be considered. If the traveler chooses to stay in the hotel where the meeting is held, justification must be furnished showing the necessity for staying there. Examples of justifications are: 1) need to network with other participants at the meeting hotel, 2) sponsoring the meeting, 3) you are a presenter, and 4) transportation expenses back and forth to the lower cost hotel plus the cost of the lower cost hotel would exceed the cost of the meeting hotel (this must be documented).

c. When using the actual subsistence method, the maximum daily rate is 150% of the maximum per diem rate for the area. A hotel receipt is required. Any amount in excess of the 150% will be paid by the traveler.

6. High Cost Meals - When meals exceed the maximum allowed for the trip, you must keep track of all meals you paid for and keep receipts for any meals over $75.00. You cannot switch between per diem and actual subsistence for the same trip. Each meal expense must be itemized on your Travel Report and / or Per Diem Request. Any meals provided per agenda or airline itinerary cannot be itemized for reimbursement. To request an advance, you will have to estimate the total you will spend per day.

Reasonableness of Travel Costs

GLCAP 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.
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 midsized 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. Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family. Personal calls in excess of this shall not be reimbursed. (See the section later in this manual for policies related to the use of corporate cell phone.)
6. Reasonable charges for business related internet access shall be reimbursed.
7. Foreign travel charged to federal grants must be approved in writing by the funding source prior to travel.
Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

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

2. First class air travel shall not be reimbursed unless there is a medical reason, and such use must be documented and approved by a supervisor.

3. Airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).

4. Memberships in airline flight clubs are not reimbursable.

5. Cost of flight insurance is not reimbursable.

6. The cost of baggage fees required by airlines to either check or carry-on luggage is allowable and reimbursable.

7. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday night stay-over, travelers should provide a total cost comparison showing that the total of the lower airfare plus an extra night’s lodging, meals, and incidentals is less costly than airfare without the Saturday night stay-over.

8. Cost of upgrade certificates is not reimbursable.

9. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.).

10. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e., GLCAP will not reimburse for the personal legs of a trip).

11. Frequent flyer miles will accrue to the traveler, not the Organization.

Spouse/Partner Travel

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

Check Preparation

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

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

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all contractors shall be paid within 30 days 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. Check shall be utilized in numerical order and unused checks, where applicable, are stored in a locked safe 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

All checks are signed electronically by two check signers. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks).

Checks shall be signed by two of the following individuals: President/CEO, Senior Services Director, Child Development / Transportation Director, Youth and Adult Development Director, Administration & IT Director, Planning and Development Director.

Check signers should examine all supporting batch control documentation to ensure that each item has been properly checked 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.

Use of the electronic signatures shall be password protected. An authorized check signer, with review of the approved vendor payments by the CFO (or his designee) must sign in with their password in order to enable the Accounts Payable Specialist to process checks. A second authorized check signer will review the check run and supporting documentation, and initial approval.
**Use of Positive Pay System**

GLCAP utilizes a “Positive Pay” system with its financial institution for all checks drawn on the operating account. With this system, the Accounts Payable Specialist electronically communicates to the financial institution a list of check numbers, amounts, and payees in connection with each check run. The financial institution shall then notify the CFO if any check is presented for payment that does not match the three characteristics for valid checks provided by the Accounts Payable Specialist.

The CFO and Comptroller shall be the only person authorized to communicate approvals of checks to the bank that have been flagged by the bank’s positive pay system.

**Mailing of Checks**

The Accounts Payable Specialist mails checks immediately. Checks shall not be mailed by or returned to the individuals or departments that authorized the expenditures. Exceptions to this procedure (for loan closings, vendors picking up their checks) must be approved by the CFO.
**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 deleting the check from the positive pay system with the respective bank. A journal entry is made to record the stop payment and any related bank fees.

**Recordkeeping Associated with Independent Contractors**

GLCAP 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**

GLCAP 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. CFO
B. Comptroller
C. Accountant
D. Accounts Payable Specialist
E. Staff Services
F. Various Staff
G. Administrative Staff
H. CEO, Directors (except the HR Director), Staff Service Manager
<table>
<thead>
<tr>
<th>Duty</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs data into vendor master file</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obtains Form W-9 from new contractors</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Periodically reviews vendor master file</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Initiates purchases</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorizes purchases</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepares purchase order/requisition</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Prepares request for proposal</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Administers collection of proposals</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluates proposals</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selects contractor from requests for proposals</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opens mail and distributes invoices</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receives contractor invoice</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Approves contractor invoice</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assigns general ledger coding</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Verifies invoices have been properly approved</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inputs invoice into A/P system</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selects A/P to be paid</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approves A/P payments</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has system access to generate A/P checks</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Runs A/P checks</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Reviews checks</td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Signs checks</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Mails checks</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Posts A/P payments to MIP</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintains custody of unused checks</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconciles A/P to general ledger</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performs bank reconciliation</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reviews cancelled checks</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reviews bank reconciliations</td>
<td>X</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
CREDIT CARDS/PURCHASING CARDS

Issuance of Corporate Credit Cards or Purchasing Cards

GLCAP recognizes there will be occasions when employees need to use an organization-issued credit card for travel or other organization-approved purposes. Therefore, the Organization has credit cards available for employee use upon approval by their supervisors and directors for purchases made in accordance with the Organization’s approved procurement process. Cash advances on any organization-issued credit card, charge account, or other financing arrangement are not allowed.

Upon approval from the credit card company, a card will be issued bearing the names of both the individual and GLCAP. GLCAP credit cards or purchasing cards can only be used by the individual named on the card. Credit cards in the name of a Department and GLCAP are available for staff that travel less frequently. GLCAP is liable to the institution that issues the credit cards or purchasing cards for all valid transactions and pays the financial institution directly.

Head Start agencies are required to report credit card usage to the Board of Directors and the Policy Council monthly. The Organization will provide a copy of each credit card invoice on the GLCAP website section that is accessible for Board members.

Card Restrictions – Spending Limits

Credit cards or purchasing cards have both a single transaction limit and a monthly credit limit which is established by the Accounting Department and kept to a minimum as determined by the employee’s supervisor. The single transaction limit cannot exceed the user’s authorized expense approval limit. The monthly credit limit will be set to an estimated amount that the cardholder will spend on business related items in a two month period.

It is explicitly prohibited for a cardholder to split the purchase of merchandise in order to circumvent the single transaction limit. Intentionally doing so may result in the immediate revocation of card privileges. A transaction includes the purchase price, sales tax (if applicable), and shipping and/or handling.

Any transaction that exceeds the single transaction limit or the monthly credit limit will be rejected by the merchant.

Sales Tax

Cardholders should remind contractors at the time of purchase that according to the tax laws in some states, GLCAP is exempt from sales tax. Cardholders should keep a copy of GLCAP’s sales tax exemption form with them to present to the contractor at the time of purchase. If a cardholder is charged sales tax for a card purchase that should be tax exempt, the cardholder should contact the vendor directly to request a credit for the amount of the sales tax.
Card User Responsibilities

Cardholders 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 dollar threshold.
- 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 there will be disciplinary procedures for misuse of the card up to and including termination.

Any fraudulent or other unauthorized charges shall be immediately reported to the CFO for further investigation with the credit card provider.

Personal use of corporate credit cards is strictly prohibited. Cardholders must immediately reimburse GLCAP for any inadvertent personal charges. Any personal use may subject the employee to the Organization’s disciplinary process discussed in this manual and in the Personnel Policies.

GLCAP requires the following review and approval procedures:

- Card holders will submit receipts online with appropriate account coding to the employee’s supervisor for approval.
- Supervisors shall review each transaction online for approval on a weekly basis.
- Transactions exceeding the supervisor’s approval threshold will be reviewed by the Department Director and President/CEO based on established purchasing approval thresholds.
- The CFO will approve credit card use by the President/CEO.
- Electronic signatures indicate that the purchases are approved, that each cardholder was authorized to make the purchases, and that the purchases were made in accordance with GLCAP policies.
- Accounting will provide a monthly summary of all transactions to the President/CEO and the Board of Directors for review.
- A monthly summary of all departmental transactions will be provided to each Director for review.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the credit card company (by calling the number noted on the back of the credit card, 24 hours a day, seven days a week) as well as the CFO.

Revocation of Corporate Credit Cards or Purchasing Cards

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

Employee Credit Cards

When situations demand, employees and officers incurring legitimate GLCAP business expenses may utilize their personal credit cards for such expenditures. GLCAP shall reimburse employees and officers
for properly supported and documented business expenditures charged to personal credit cards upon completion of a properly completed expense voucher. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Use of a personal credit card does not alleviate the employee from meeting all procurement requirements noted within this manual.
PAYROLL AND RELATED POLICIES

Compensation – Personal Services \((2 \text{ CFR Part 200.430})\) [(45 \text{ CFR Part 75.430})]

Compensation for personal services including all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under a federal award, including but not necessarily limited to wages and salaries is considered an allowable cost to the federal award to the extent that they satisfy the following requirements:

- Is reasonable for services rendered and conforms to the established written policy of GLCAP for both federal and non-federal activities;
- Complies with laws, regulations, and other written policies of GLCAP Personnel Policies and Procedures manual;
- Is properly documented and supported as stated in the STANDARDS OF DOCUMENTATION OF PERSONNEL EXPENSES section of this manual.

Costs which are unallowable under 2 CFR Part 200 [45 CFR Part 75], are also unallowable solely on the basis that the cost constitutes personnel compensation.

Compensation – Fringe Benefits \((2 \text{ CFR Part 200.431})\) [45 \text{ CFR Part 75.431}]

Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. The costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity.

See the GLCAP Personnel Policies and Procedures Manual for the established written policies of these fringe benefits.

Costs which are unallowable under 2 CFR Part 200 [45 CFR Part 75], is also unallowable solely on the basis that the cost constitutes a fringe benefit.

Classification of Workers as Independent Contractors or Employees

GLCAP 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 GLCAP 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

Facts associated with each of these categories that will be considered in making employee/contractor determinations shall include:
1. Behavioral control:
   a. Instructions given by GLCAP to the worker that indicate control over the worker (suggesting an employee relationship), such as:
      1) When and where to work
      2) What tools or equipment to use
      3) What workers to hire or to assist with the work
      4) Where to purchase supplies and services
      5) What work must be performed by a specified individual
      6) What order or sequence to follow
   b. Training provided by GLCAP to the worker (i.e., employees typically are trained by their employer, whereas contractors typically provide their own training).

2. Financial control:
   a. The extent to which the worker has unreimbursed business expenses (i.e., employees are more likely to be fully reimbursed for their expenses than is a contractor).
   b. The extent of the worker’s investment in the facilities/assets used in performing services for GLCAP (greater investment associated with contractors).
   c. The extent to which the worker makes services available to the relevant market.
   d. How GLCAP pays the worker (i.e., guaranteed regular wage for employees vs. flat fee paid to some contractors).
   e. The extent to which the worker can realize a profit or loss.

3. Type of Relationship:
   a. Written contracts describing the relationship that GLCAP and the individual intend to create.
   b. Whether GLCAP provides the worker with employee-type benefits, such as insurance, paid leave, etc.
   c. The permanency of the relationship.
   d. The extent to which services performed by the worker are a key aspect of the regular business of GLCAP.

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is $600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by the GLCAP personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

**Changes in Payroll Data**

**Payroll Taxes**

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

GLCAP will obtain 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.

**Standards of Documentation for Personnel Expenses**

GLCAP 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 supported 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 GLCAP employee must submit to the Accounting Department an electronically signed and approved timesheet no later than 12:00 noon on the Monday following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets shall be prepared electronically (or in ink for participants).
3. Employee errors shall be corrected electronically. Manual timesheet errors for participants shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee’s initials next to the change (i.e., employees shall not use whiteout or correction tape).
4. Employees shall identify and record hours worked based on the nature of the work performed.
5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such.
6. Timesheets shall be electronically signed by the employee prior to submission.

After preparation, the staff member’s supervisor shall approve timesheets prior to submission to the Accounting Department. Corrections identified by an employee’s supervisor shall be authorized by rejecting the electronic submission and having the employee resubmit a corrected form.

A GLCAP employee who is on leave, traveling, or is ill on the day that timesheets are due may complete their timesheet online or may telephone or email timesheet information (actual time worked...
and the appropriate classifications) to his or her supervisor (or designated alternate) who would then enter the information into Kronos. The employee must initial a timesheet submitted in this manner immediately upon his or her return to the office. Timesheets submitted in this manner shall bear the notation, "Time reported by telephone or email by (employee) to (supervisor or designated alternate)." The timesheet shall be signed by the supervisor or the designated alternate.

**Processing of Timesheets**

The Payroll Specialist may not change or correct timesheets. Tampering with, altering, or falsifying time records, recording time on another employee's time record or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including discharge.

**Review of Payroll**

Upon production of all payroll reports and checks, the approved check signers review payroll prior to its distribution to employees. The approved check signers shall sign and date the payroll register indicating approval of the payroll.

**Distribution of Payroll**

Payroll and the related check stubs are distributed electronically, except for new employees and participants. Payroll payments for new employees and participants shall be mailed by individuals who do not approve timesheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

**Internal Audit of Payroll Data**

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

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

Any unexplained deviations found as a result of these internal audit procedures shall be reported to the chair of the Board Finance Committee.

**De Minimis Fringe Benefits**

Per IRS Code section 132(a)(4), a de minimis benefit is one for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical. De minimis benefits are excluded under Internal Revenue Code section 132(a)(4) and include items which are not specifically excluded under other sections of the Code. These include such items as:

1. Controlled, occasional employee use of photocopier
2. Occasional snacks, coffee, doughnuts, etc.
3. Occasional tickets for entertainment events
4. Holiday gifts
5. Occasional meal money or transportation expense for working overtime
6. Group-term life insurance for employee spouse or dependent with face value not more than $2,000
7. Flowers, fruit, books, etc., provided under special circumstances
8. Personal use of a cell phone provided by an employer primarily for business purposes

In determining whether a benefit is de minimis, you should always consider its frequency and its value. An essential element of a de minimis benefit is that it is occasional or unusual in frequency. It also must not be a form of disguised compensation.

Whether an item or service is de minimis depends on all the facts and circumstances. In addition, if a benefit is too large to be considered de minimis, the entire value of the benefit is taxable to the employee, not just the excess over a designated de minimis amount. The IRS has ruled previously in a particular case that items with a value exceeding $100 could not be considered de minimis, even under unusual circumstances.

Cash Benefits
Cash is generally intended as a wage, and usually provides no administrative burden to account for. Cash therefore cannot be a de minimis fringe benefit. An exception is provided for occasional meal or transportation money to enable an employee to work overtime. The benefit must be provided so that employee can work an unusual, extended schedule. The benefit is not excludable for any regular scheduled hours, even if they include overtime. The employee must actually work the overtime.

Cash payments made to employee’s Health Savings Account and Flex Spending Account, as a general contribution or as part of a wellness program, are excluded as income for eligible employees up to the limits of the program.

Gift certificates
Cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.

A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.

Achievement awards
Special rules apply to allow exclusion from employee wages of certain employee achievement awards of tangible personal property given for length of service or safety. These awards

Cannot be disguised wages
- Must be awarded as part of a meaningful presentation
- Cannot be cash, cash equivalent, vacation, meals, lodging, theater or sports tickets, or securities.
- In addition, there are other requirements specific to achievement and safety awards and there are dollar limitations that must be met. See Publication 5137, Fringe Benefit Guide or Publication 535 for more information.

How are de minimis fringe benefits reported?
If the benefits qualify for exclusion, no reporting is necessary. If they are taxable, they should be included in wages on Form W-2 and subject to income tax withholding. If the employees are covered for social security and Medicare, the value of the benefits are also subject to withholding for these taxes. You may optionally report any information in box 14 of Form W-2.
**Control Grid – Payroll and Human Resources**

GLCAP 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. CFO

B. Comptroller

C. Payroll Specialist

D. Various Staff

E. Various Administrative Staff

F. Human Resources Director

G. Human Resources Specialist

H. CEO, Administration and IT Director, Staff Service Manager, Director of Family Development, Director of Community Development, Director of Senior Services and Transportation.

I. CEO

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<td>Deletes terminated employees from P/R</td>
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<td>Approves timesheets</td>
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<td>Reviews input of timesheet data</td>
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<td>Reviews distribution of time</td>
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<td>Signs payroll checks</td>
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<td>Distributes checks (electronic paystubs)</td>
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<td>Prints annual W-2 forms</td>
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<td><strong>Process Step</strong></td>
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<td><strong>Paper Doc</strong></td>
<td>Employee fills out biweekly timesheet and submits electronically.</td>
<td>Supervisor reviews &amp; approves</td>
<td>Timesheets submitted to Acctg. by Monday morning after pay period ends</td>
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<td><strong>Decision Pt</strong></td>
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<td>Check that all timesheets are received and signed</td>
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<td><strong>Adding machine</strong></td>
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<td>Note: if you import data into a payroll module, check figure is not necessary</td>
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<td><strong>More Information</strong></td>
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<td>If you used automatic import, check date (or error reports) to be sure import worked</td>
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**Go to pg. 2**

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<td>Misc. payments-</td>
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<td>insurance, child</td>
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<td>Paystubs unloaded</td>
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From pg. 2
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. Excess funds are those funds in excess of the amount required to earn sufficient service credits to cover all account fees.

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 based upon the source of funds invested as defined by the CFO.

Savings Account:

The Organization also maintains an interest-bearing savings account. Any funds in excess of the balance required to earn credits to offset monthly banking fees shall be transferred into the Organization's savings account. Transfers to or from the savings account shall be initiated by the CFO.

Funds that are drawn down for accrued leave that is expensed to a grant will be set aside and deposited in the Organization’s savings account as a funded liability (2 CFR 200.431(b) [45 CFR 75.431(b)]. Also see ACCRUED LIABILITY section of this manual.

Authorized Signers

The following GLCAP personnel are authorized to sign checks drawn on the general operating and payroll accounts, as authorized by the Board of Directors:

- President/CEO
- Senior Services Director
- Child Development/Transportation Director
- Youth and Adult Development Director
- Administration and IT Director
- Planning & Development Director

The 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. The CFO will only have authority to transfer funds between established KeyBank accounts and will not have authority to approve disbursements.

Digital Signatures

GLCAP accepts digital signature for individuals as an allowable alternative to manual or “wet” signatures, except where otherwise stated in this manual. Authorized signers or approvers are
responsible for the security and protection of their passwords and must sign documents and correspondence using software approved by the Organization.

**Bank Reconciliations**

Bank account statements are received each month and forwarded unopened to the CFO. The CFO shall open the statement and review its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. (This review must be performed in a timely manner so that reconciliation of the bank account is not delayed.) Unusual or unexplained items shall be reported immediately to the Board Finance Committee.

After this review is complete, the entire bank statement is forwarded to the Comptroller, or their designee, where a reconciliation between the bank balance and general ledger balance is prepared by someone who is not an authorized check signer. The bank reconciliation process will be completed within one week of receipt of each bank statement.

The reconciliation process shall involve an inspection of the electronic image of cancelled checks listed on the bank statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. If the account in question does not return original cancelled checks or paper copies thereof, the person preparing the monthly bank reconciliation shall view electronic copies of cancelled checks provided by the financial institution via CD-ROM or Internet access to the Institution’s website.

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

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

**Cash Flow Management**

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.

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

**Unpresented Checks**

Unpresented checks include checks that are outstanding, written-off, stale-dated, or returned by the post office. Unpresented checks will be categorized by GLCAP into two categories: payroll checks and general checks.

GLCAP will comply with the Ohio laws regarding unclaimed property. Accordingly, the Organization will file all appropriate forms and remit unclaimed property to the appropriate jurisdiction for all uncashed checks subject to a state reporting and transfer requirement.

The Accounting Department will attempt to contact the payee and re-issue unpresented checks older than three (3) months; this attempt and re-issuance will be documented. Checks that remain
unpresented, or uncashed after six (6) months will be recorded in a separate liability account named “Unclaimed Property”. The Accounting Department will maintain a listing of the checks in the Unclaimed Property liability account by:

- Payee
- Amount
- Original issue date
- Original check number
- Re-issued date (not by date reclassified to the Unclaimed Property liability account)
- Re-issued check number

GLCAP will also comply with the State of Ohio laws regarding unclaimed property. The Organization shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction. Accordingly, unclaimed funds in excess of $50.00 are reported, noting the individual's name, to the State of Ohio. Unclaimed funds under $50.00 will be submitted to the State of Ohio in aggregate without reference to the original payee's name.

**Petty Cash**

GLCAP will provide imprest funds for valid, minor office expenditures (not for travel or employee advances), and to periodically replenish these funds up to its authorized balance of $200. The Petty Cash Custodian is responsible for ensuring that the petty cash fund is locked at all times.

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

The Petty Cash Custodian shall prepare a reconciliation of the petty cash account on a periodic basis. Petty cash reconciliations are subject to review by the Comptroller, who may also perform periodic surprise cash counts and reconciliations.

**Wire Transfers**

The CFO and Comptroller shall be the only GLCAP employees authorized to transact wire transfers from GLCAP bank accounts. Only authorized bank account signers are authorized to approve wire transfers. To prevent anyone other than the CFO and the Comptroller 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 Comptroller, are assigned by the bank and are changed annually. Confirmations of all wire transfers are delivered to the President/CEO.

**Cash Management (after adoption of ASU 2016-14)**

GLCAP shall maintain financial assets, consisting of cash and short-term investments, to meet 30 days of normal operating expenses. Short-term investments to help manage the Organization's unanticipated liquidity needs include:

- Cash and cash equivalents
- Accounts and interest receivable
- Contributions receivable
- Grants receivable
- Short-term investments
- Other investments appropriated for current use
- Quasi-endowment fund earnings

Cash in excess of daily requirements is invested according to the approved Investment Policy (see INVESTMENTS section of this manual.)
INVENTORY OF MATERIALS

Description of Inventory

GLCAP maintains an inventory of materials used for the Housing and Weatherization Assistance, and Food Service programs.

Accounting for Inventory

GLCAP accounts for purchased inventory items at cost, using the first-in, first-out method of valuation. Unit cost shall be computed by adding freight, insurance, and other shipping costs to the actual cost of purchased inventory, dividing this total amount by the number of units purchased.

Reserve for Obsolete Inventory

GLCAP will minimize required inventory on hand and consider obsolescence when estimating reserves to reduce recorded inventory amount to market values. GLCAP will reserve inventory for known obsolescence or realization issues.

Physical Counts

A physical count of inventory will be performed on a quarterly basis by someone who does not have responsibility for ordering or approving purchases of such items. Any inventory items that appear damaged, obsolete, or otherwise unable to be sold shall be excluded from the counts. A detailed record of the physical count shall be kept by the individuals involved in taking the inventory.

At the conclusion of the physical count, the inventory count sheets shall be extended by applying the most recent unit costs to the physical quantities of each item on hand. The general ledger balance shall be adjusted to reflect the total inventory on hand as researched by the physical count. Unusual discrepancies such as lost or damaged inventory will be investigated by the CFO.

Contributed Inventory

Inventory items donated to GLCAP shall be recorded as assets of the Organization at the fair market value as of the date of the contribution, unless the Organization is acting as an agent in connection with a contribution by a donor through the Organization to another charity specifically identified by the donor. Contributed inventory items shall be subject to the same physical counting and other policies as purchased inventory items.
PREPAID EXPENSES

Accounting Treatment

GLCAP 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 $5,000 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

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

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 monthly closeout process.
INVESTMENT POLICIES

Introduction

GLCAP treats all assets of the Organization, including those funds that are legally without donor-imposed restrictions, 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 Finance Committee of a wide range of policies, and describes the prudent investment process the Finance Committee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

Funds to be invested do not include those from federal awards. Such funds will be spent on program requirements as budgeted, or returned to the awarding agency. Any advances of federal funds will be maintained in an interest-bearing account. Interest earned on such funds up to $500 per year, will be allocated to federal grants based on a percentage of funds received during the month and any additional interest will be returned to the Federal Payment Management System. Investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law.

Delegation of Authority

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

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

The Investment Committee of GLCAP is a fiduciary and is responsible for directing and monitoring the investment management of Fund assets. As such, the Investment Committee is authorized to delegate certain responsibilities to professional experts in various fields. These may include, but are not limited to:

Investment Manager. The investment manager has discretion to purchase, sell, or hold the specific securities in certain asset classes that will be used to meet the Fund’s investment objectives.

Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts.

Additional specialists such as attorneys, auditors, and others may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer Fund assets prudently.
Definitions

1. "Fund" or “Investment” shall mean the Investment Fund.

2. "Investment Committee" shall refer to the governing board established to administer the Fund as specified by applicable ordinance. Specifically, the GLCAP Board of Directors has identified the Board Treasurer, President/CEO, and CFO as the members of the Investment Committee.

3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Fund assets.

4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets.

5. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.

6. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for these Funds is 10 years.

Responsibility of the Investment Committee

The Investment Committee is charged with the responsibility for the management of the assets assigned to it. The Investment Committee shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Investment Committee relating to the investment management of the Fund assets include:

1. In conjunction with the GLCAP’s administration, projecting the financial requirements from the Fund, and communicating such needs to the Investment Managers on a timely basis.

2. Determining the risk tolerance and investment horizon, and communicating these to the appropriate parties.

3. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Fund assets.

4. Selecting qualified investment professionals, to the extent it deems necessary, including such Investment Manager(s), Custodian(s) and additional specialists as it may determine. The Committee will make a conscientious effort to achieve diversity in the Investment Managers it considers to hire to manage the Investment assets.

5. Annual evaluation of the performance of any Investment Manager(s) to assure adherence to policy guidelines and monitor progress to achieving investment objectives.

6. Developing and enacting proper control procedures. For example, replacing Investment Managers due to fundamental change in investment management process, or failure to comply with established guidelines.

7. Reporting regularly to the Board of Directors, through its Finance Committee.

The Investment Committee will not reserve any control over individual investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and
accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper Investment Managers, each Manager should request modifications which they deem appropriate.

Responsibility of GLCAP Administration

The responsibilities of GLCAP Administration include the following:

1. Oversee the day-to-day operational investment activities of the Fund subject to policies established by the Investment Committee.

2. Receive, review and distribute reports from the outside professionals regarding the status of the Fund.

3. Interface with the Investment Managers, the custodian bank and other outside professionals.

4. Periodically issue status reports to the Board and the Investment Committee.

Responsibility of the Investment Manager(s)

1. Each Investment Manager will have full discretion to make all investment decisions for the Funds placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) shall include:

2. Discretionary investment management including decisions to buy, sell or hold individual securities and to alter asset allocation within the guidelines established in this statement.

3. Reporting, on a timely basis, quarterly investment performance results.

4. Timely communication of major changes to economic outlook, investment strategy, or any other factors which affect implementation of the investment process, or the progress toward meeting the Fund’s objectives.

5. Voting proxies, if requested by the Investment Committee, on behalf of the Funds, and communicating such voting records to the Investment Committee when requested.

6. Timely communication of trading information to GLCAP’s Administration.

General Investment Principles

1. Investments shall be made solely in the interest of the GLCAP.

2. The Funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

3. Investment of the Funds shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4. The Investment Committee will strive to employ more than one investment manager representing varying investment styles and philosophies to attain the Fund’s objectives.
5. Cash is to be employed by investment in short term cash equivalents to provide safety, liquidity and return.

Investment Management Policy

1. Preservation of Capital - Consistent with their respective investment styles and philosophies, investment managers, responsible for their assigned asset class, should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment managers, responsible for their assigned asset class, are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

Goal of the Funds

All funds in this Trust have a long-term time horizon of ten years or more. The overriding objective of these Funds is to grow the value of the assets over the Investment Horizon while providing reasonable liquidity when needed. As such, the Funds' should first: achieve long-term growth of the assets, and second: preserve principal while maintaining purchasing power. The objective is to grow the aggregate portfolio value at the rate of inflation over the Fund's investment horizon while increasing asset value. Short-term volatility will be tolerated inasmuch as it is consistent with the protection of principal. The Fund's specific investment objectives will be established later in this document.

Investment Strategy and Objectives

In order to meet its needs, the investment strategy for the Investment Committee of GLCAP is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Specifically, the primary objective in the investment management for the Fund assets shall be: To maintain Purchasing Power of the Fund with Incremental Organic Growth consistent with Prudent Levels of Risk.

Returns are expected to preserve or enhance the real value of the Investment after funds are released for current use. In order to accomplish its objectives, the funds may invest in domestic and international equities and fixed income including those of the emerging markets as well as alternative investments. However, any investment which is not easily transacted or cannot easily be liquidated will require Investment Committee approval. Investment risks are considered within the context of the investment mix and diversification of the entire investment portfolio. Understanding that differing economic conditions may produce periods of relative under and out-performance, there will be an attempt to diversify the portfolio by both asset class and investment style.

Specific Investment Goals
The goal for the Fund is to generate a long-term target rate of return of 5 percent above the rate of inflation net of the costs of managing the investments. (For purposes of this policy, the long-term rate of inflation is assumed to be 3%).

The investment goals above are the objectives of the aggregate Funds, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Investment Committee that most closely corresponds to the style of investment management with the understanding that the Committee might choose managers whose historical risk and return profile indicates that there will be a reasonable trade-off of return against volatility in the portfolio in order to minimize the level of risk associated with the investment.

2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above taking into account the risk-volatility trade-off referenced above. Risk will be measured by the standard deviation of quarterly returns. The Investment Committee shall oversee the portfolio and avoid risk-increasing practices that might heighten the downside volatility to the portfolio.

**Volatility of Returns**

The Investment Committee understands that in order to achieve its objectives, the Fund will experience volatility of returns and fluctuations of market value. The Committee agrees that the Fund could tolerate a maximum volatility of returns greater than the composite benchmark used to measure the Funds over any one year period. However, because of the long-term nature of the Fund and its objectives, no loss net of inflation can be tolerated over the investment horizon. The Investment Horizon for this Fund is 10 (ten) years. Therefore, the Investment Committee supports an investment strategy that minimizes the probability of losses greater than those stated above. However, they realize that the Fund's return objective is their primary concern. There is, of course, no guarantee that the Fund will not sustain losses greater than those stated herein.

**Investment Guidelines**

**Diversification for Investment Managers**

The Investment Committee does not believe it is necessary or desirable that securities held in the Fund represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one industry. Individual treasury securities may represent up to 50% of the total fixed income component of the fund.

**Guidelines for Fixed Income Investments and Cash Equivalents**

1. The Funds may be invested in portfolios containing high-yield bonds if the Committee determines that such an investment makes sense for the portfolio given the risk parameters though it is understood that the majority of the portfolio will be invested in funds that hold investment grade bonds.

2. Fund assets may be invested only in commercial paper rated A1 (or equivalent) or better.

3. Individual fixed income maturity restrictions are as follows:
4. Individual fixed income bonds shall have a minimum investment grade rating of A or higher by S&P or Moody’s.
5. Maximum maturity for any single security is 30 years.
6. No more than 50% of the portfolio may have a maturity greater than 10 years unless the Investment Committee explicitly agrees.
7. Weighted average portfolio maturity should not exceed 10 years.
8. Individual fixed income maturity restrictions do not apply if invested in a fixed income mutual fund.

**Objective:**

Investment in alternatives may be considered by this organization within the context of an overall investment plan. The objective of such investments will be to seek to diversify the portfolio, complementing traditional equity and fixed-income investments and improving the overall performance consistency of the portfolio. It is acknowledged that there is no guarantee that this objective will be realized.

**Asset Allocation Guidelines**

**Equity Securities.** Equity securities will be predominantly utilized in the Trust to allow for long-term growth. Between 50-70% of the portfolio will be invested in the equity market.

The equity component may be composed of individual securities or funds which include common and preferred stock, warrants and convertible securities of foreign or domestic issues or any other security deemed appropriate as long as proper diversification is maintained within the asset class. The fund supports different equity management styles including active (value, blended, growth) and passive (index funds, ETFs) and different sub-classes including large-cap, small/mid-cap and international.

**Fixed-Income Securities.** Fixed-income securities are expected to be utilized to a lesser extent than equities and when employed, the fixed-income component may be composed of individual securities or funds which include obligations of the United States Treasury, U.S. Government agencies, domestic corporations, government-backed mortgage issuers or any security of investment grade quality as long as the interest and principal of such security is payable in United States currency. Between 30 - 50% of the portfolio will be invested in the fixed-income market.

**Money Market and Cash Equivalent Securities** An acceptable cash allocation will be between 0 - 20%. Cash management is intended to be employed primarily for the short-term while awaiting alternative investment class opportunities.

The money market component may be composed of individual securities or funds which include direct obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, and repurchase agreements secured by such instruments, high grade corporate commercial paper and any other high quality money market instruments.

The Investment Committee shall be mindful of maintaining exposure to value and growth investment disciplines. The Investment Committee reserves the right to periodically make tactical allocations that favor either growth or value investment styles.

**Rebalancing**

In the event that the above aggregate asset allocation guidelines are breached for reasons including but not limited to market price fluctuations, the Investment Committee will instruct the Investment Manager(s) to bring the portfolio into compliance with these guidelines as promptly and prudently as
possible. Specifically, the asset mix is reviewed quarterly. If it should fall outside the limits established by +/- 5%, the portfolio will be adjusted to fall within the permissible policy ranges. In the event that any individual Investment Manager’s portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Investment Committee will instruct the Investment Manager to bring the portfolio into compliance with these guidelines as promptly and prudently as possible.

It is permissible for the GLCAP Investment Fund to rebalance under the following conditions: (1) The Fund is in a model that automatically rebalances to correct sizable allocation shifts, returning the portfolio to the model's allocation targets, and (2) the Fund is invested in a model that will rebalance to take advantage of tactical opportunities by overweighting or underweighting asset classes within a risk-adjusted model that falls within GLCAP’s Asset Allocation guidelines.

**Accounting Treatment**

All purchased investments shall initially be recorded at cost. All investments acquired by donation to GLCAP 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, GLCAP 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 GLCAP on a monthly basis.

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

**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).
Endowment Funds (after adoption of ASU 2016-14)

Board Interpretation of State Law
The interpretation of how the Uniform Prudent Management of Institutional Funds act as described in the Ohio Revised Code 1715.51-58 applies to a particular endowment of GLCAP shall be made by the CFO subject to the review and approval of the Board Finance Committee.

Spending Policy
As permitted by the donor, Ohio Revised Code 1715.51-58, and considering the long-term expected return on the endowment funds, the Board of Directors will appropriate for distribution each year no more than 5% of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. This appropriation will occur with approval of annual budget or during the year as unexpected needs arise (i.e. emergency).

Also see UNDERWATER ENDOWMENTS elsewhere in this manual.

Endowment Investment Objective
GLCAP’s endowment investment objective is for its endowment fund to grow over time and earn, through a combination of investment income and value appreciation, an annualized rate of return in excess of the amount appropriated for spending and other benchmarks established by the Board of Directors in conjunction with the Board’s calculation and establishment of the annual OPERATING RESERVES goal.

The majority of endowment assets will be invested per GLCAP’s Investment Policy noted above.

Endowment funds will be classified as follows:

Donor-Restricted Endowment Fund – An endowment fund that is created by a donor stipulation (donors include types of contributors, including makers of certain grants) requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions. This does not include a Board-Designated Endowment Fund.

Board-Designated Endowment Fund – An endowment fund created by GLCAP’s Board of Directors by designation of a portion of the net assets without donor restrictions to be invested to provide income for a long, but not necessarily specified, period of time. In rare circumstances, a board-designated endowment fund also includes a portion of net assets with donor restrictions. (This is sometimes called Funds Functioning as Endowment or Quasi-Endowment.)

In connection with all endowment funds of the Organization, GLCAP will disclose in a footnote to its annual financial statements all of the following information:

1. A description of the Board’s interpretation of relevant state law regarding the net asset classification of donor-restricted endowment funds.
2. A description of the Organization’s policies for the appropriation of endowment assets for expenditure (spending policy).

3. A description of the Organization’s endowment investment policies, including, at a minimum:
   a. The Organization’s return objectives and risk parameters
   b. How those objectives relate to the Organization’s endowment spending policies
   c. The strategies employed for achieving those objectives

4. Endowment fund net asset composition by classification with donor restriction and without donor restriction, in total and by type of endowment fund, and cumulative investment return, if any, contained in the net assets with donor restriction class resulting from the Organization’s interpretation of relevant state law, beyond the amount required by explicit donor stipulations.

5. A reconciliation of the beginning and ending balance of the Organization’s endowments, in total and by net asset group, showing all of the following:
   a. Investment return, separated into investment income (interest, dividends, rents, etc.) and net appreciation or depreciation of investments
   b. As previously noted in this policy section, investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law
   c. Contribution income
   d. Amounts appropriated for expenditure
   e. Reclassifications
   f. Other changes in net assets

Underwater Endowment Funds (after adoption of ASU 2016-14)

GLCAP will consider a donor-restricted endowment fund to be underwater when the value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Board of Directors has interpreted Ohio Revised Code 1715.51-58 to restrict spending from underwater funds in accordance with the prudent measures required under the law/donor-imposed restrictions.

GLCAP will monitor the value of its donor-restricted endowment fund to ensure proper reporting and disclosure of the following:

- Aggregate fair value of the underwater funds
- Aggregate fair value of the original endowment gift or amount required to be maintained by donor stipulation or the law that extends to donor restrictions
- Aggregate amount by which the funds are underwater

See the CONTRIBUTIONS ACCOUNTING and NET ASSET sections elsewhere in this manual for related policies on Endowment Funds.
**Investment Expenses (after adoption of ASU 2016-14)**

GLCAP will present a net presentation of external and direct internal investment expenses against investment returns on the statement of activities. The netted investment expenses will not be included in the functional expenses analysis. External and direct internal investment expenses may include:

- Salaries, benefits, other costs of employees involved in or responsible for generating investment return and developing and executing the Organization’s investment strategy
- Fees for outside investment managers or volunteers
- Fees embedded in the investment

**Disclosures of Endowment Funds**

In connection with its annual financial statements, GLCAP will prepare the following information for disclosure in its financial statements:

- Net asset classification (with or without donor restrictions)
- Net asset composition (board-designated or donor-restricted endowments)
- Changes in net asset composition
- Spending policies
- Related investment policies
- Description of the Board of Director’s interpretation of Ohio Revised Code 1715.51-58 underlying net asset classification, including its interpretation of the ability to spend from underwater endowments
- Description of the following policies
  - Endowment spending policies
  - Return objectives and risk parameters and how they relate to spending policies
  - Strategy to achieve return objectives
- Summary of the endowment(s) by net asset class, in total and by type, separately disclosing donor-restricted from board-designated endowment funds
- Reconciliation of the beginning and ending endowments, in total and by net asset class, including:
  - Net investment return
  - Contributions
  - Amounts appropriated for expenditure
  - Other changes
PROPERTY AND EQUIPMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of $5,000 (per unit) 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, GLCAP 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 GLCAP 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.

Release of Donor Restriction (after adoption of ASU 2016-14)

Donor-imposed restrictions on contributed assets will be released when the asset is placed into service, unless otherwise stipulated by the donor.

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

GLCAP 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 GLCAP, 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 less than $5,000, may be retained, sold, or otherwise disposed of with no further obligation to the federal awarding agency.
3. If the remaining per unit fair market value is $5,000 or more, GLCAP 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 GLCAP.

**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 of asset
8. Depreciation method
9. Estimated useful life
10. Ultimate disposition data including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken and the results reconciled with property records, at least once every two years. *(2 CFR Part 200.313(d)(2) [45 CFR Part 75.320(d)(2)]* 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**
- **General office equipment**
- **Vehicles**
- **School buses**
- **Computer hardware and peripherals (which exceed the capitalization threshold)**
- **Computer software**
- **Leased assets**
- **Leasehold improvements**

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<thead>
<tr>
<th>Category</th>
<th>Estimated Useful Life</th>
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<tbody>
<tr>
<td>Furniture and fixtures</td>
<td>Up to 10 years</td>
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<tr>
<td>General office equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5 years</td>
</tr>
<tr>
<td>School buses</td>
<td>12 years</td>
</tr>
<tr>
<td>Computer hardware and peripherals (which exceed the capitalization threshold)</td>
<td>3–5 years</td>
</tr>
<tr>
<td>Computer software</td>
<td>2–3 years</td>
</tr>
<tr>
<td>Leased assets</td>
<td>Shorter of remaining lease term or Estimated useful life of leased asset</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Shorter of remaining lease term or Estimated useful life of leased asset</td>
</tr>
</tbody>
</table>

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly 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. For example, painting, carpet or floor replacement, and roof repairs will be expensed. A complete roof replacement will be capitalized.

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

If equipment is sold, scrapped, donated, or stolen, adjustments need to be made to the fixed asset listing and property log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss (if the money received is less than the book value) or a gain (if the money received is more than the book value).

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

GLCAP classifies all leases in which the Organization is a lessee as either financing or operating leases. GLCAP shall utilize the following criteria:

1. The lease transfers ownership to GLCAP at the end of the lease term.
2. The lease grants GLCAP an option to purchase the underlying asset the Organization is reasonably certain to exercise.
3. The lease term is for the major part of the remaining economic life of the leased asset.
4. The present value of the sum of the lease payments and any residual value guaranteed by GLCAP not already reflected in the lease payments equals or exceeds substantially all of the fair value of the leased asset.
5. The leased asset is so specialized, it is expected to have no alternative use to the lessor at the end of the lease term.

All leases that do not possess any of the preceding characteristics shall be treated as operating leases.

In addition, all leases that are immaterial in nature or with a term of 12 months or less shall be accounted for as operating leases. GLCAP shall recognize these leases on a straight-line basis over the lease term.

Reasonableness of Leases

GLCAP assesses the value of leases according to the requirements of 2 CFR Part 200.465 [45 CFR Part 75.465], 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 at least every 5 years to determine if circumstances have changed and other options are available.

Accounting for Leases

All operating leases and financing leases with a term of less than 12 months shall be accounted for as expenses in the period in which the lease payment is due. Operating and financing leases with terms greater than 12 months shall be reported on the balance sheet as a right-of-use asset and a lease liability, initially recorded at the present value of the lease payments (plus other payments, including variable lease payments and amounts probable of being owed by GLCAP under residual value guarantees).

Financing leases

GLCAP will record a right-of-use asset and lease liability for the present value of payments to be paid over the lease term. Amortization of the asset will be on a straight-line basis over the shorter of the lease term or an estimated useful life that is consistent with the Organization’s capital asset policy. Interest expense shall be calculated using the effective interest method and will be reported separately from the amortization of the right-of-use asset. Interest payments and variable lease payments will be reported in the operating section of the statement of cash flows and the principal payments for the lease liability will be reported in the financing section of the statement of cash flows.
Operating leases

GLCAP will record a right-of-use asset and lease liability for the present value of payments to be paid over the lease term. Interest expense and the amortization of the right-of-use asset together as one lease expense, allocated over the term of the lease on a straight-line basis, or other rational basis, if more representative of the benefits received from the leased asset. All cash payments will be reported in the operating section of the statement of cash flows.

GLCAP 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, and will be reconciled to the general ledger on a [quarterly] basis.

Changes in Lease Terms

As described in earlier policies, leasehold improvements are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, GLCAP will revise amortization to reflect the remaining lease term as of the effective date of the lease modification.
SOFTWARE ACQUISITION AND DEVELOPMENT COSTS

Costs to Be Capitalized

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

1. External direct costs (i.e., amounts paid to 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 costs (employee benefit costs) for employees who are directly associated with, and who devote time to, an internal-use software project (i.e., the same types of software development costs described above).

3. Interest costs incurred in developing software.

4. Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

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

Costs to Be Expensed As Incurred

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

1. External and internal costs incurred in the preliminary project phases, such as costs associated with making decisions to allocate resources to the project, determining performance requirements and specifications, and reviewing and selecting vendors and consultants.

2. Research and development costs.

3. General and administrative costs.

4. Data conversion.

5. Training costs.

6. Internal maintenance costs.
WEBSITE COSTS

Costs to Be Capitalized

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

1. Application and infrastructure development costs, including:
   a. Development or acquisition of any software necessary to develop or operate the website (e.g., HTML editor software, graphics software, etc.)
   b. Development or acquisition and customization of code for web applications (e.g., search engines, order processing systems, etc.)
   c. Development or acquisition and customization of database software needed to integrate applications
   d. Development of HTML web pages or development of templates and writing of code to automatically create HTML pages
   e. Obtaining and registering an Internet domain name
   f. Installation of developed applications on the server(s)
   g. Creation of initial hypertext links to other websites or to destinations within the Organization’s site
   h. Testing the site applications

2. Graphics and content development costs, including the initial creation of graphics to be used on the site, the design or layout of each page, color images, and the overall look and feel and usability of the site (e.g., buttons, borders, etc.), but NOT including the initial loading of content into the site, the costs of which are to be expensed as incurred.

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

Costs to Be Expensed As Incurred

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

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

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

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

Note: Per 2 CFR Part 200.315, Intangible Property, federal agencies have the right to reproduce, publish, or otherwise use any copyrighted work or other intangible asset that was produced or purchased using federal funds. Also,

Acquisition of Intangible Assets

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

1. Via contribution from a donor

2. By purchase from an outside party that holds title to an intangible asset

3. By 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 via 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 will be classified into one of three categories, as follows:

- Assets with finite and precise useful lives (such as a license agreement with a fixed term)
- Intangible assets with finite and precise useful lives will be amortized over their useful lives, using the straight-line method of amortization.

**Assets with finite, but imprecise, useful lives**
- Intangible assets with finite, but imprecise, useful lives, the Organization will 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 will evaluate the useful life on an annual basis to determine whether an adjustment of the useful life is appropriate.

**Assets with indefinite useful lives**

For intangible assets with indefinite useful lives, the cost of the asset will remain on the accounting records 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. Also see ASSET IMPAIRMENTS section.

In addition, intangible assets with indefinite useful lives will 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 will begin amortizing the intangible asset over the estimated remaining useful life (i.e., rather than recording an impairment in the value of the asset).
ASSET IMPAIRMENTS

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

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

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

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

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

Scope

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

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

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

Disclosures

GLCAP will comply with the disclosure requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification(ASC) 820, Fair Value Measurement, 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.

In accordance with FASB ASC 820, the level of inputs (Level 1, Level 2, Level 3) are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. (Example: price for purchase of comparable asset.)
- Level 3 – Unobservable inputs for the asset or liability. (Example: value based on internal data.)

For any asset impairment losses recorded as a result of the policy described earlier, the organization shall disclose the reason for recording the impairment, in addition to the preceding disclosures.
POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

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

- Salaries and wages
- Payroll taxes
- Vacation pay (see policy below)
- Rent
- Interest on notes payable
- General Accounts Payable

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

Accrued Leave

Personnel policies permit employees to carry forward up to the annual amount earned plus two weeks of unused vacation leave from year to year. Such unused leave is payable to an employee upon termination of employment.

Accordingly, GLCAP records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to a maximum of the annual amount earned plus two weeks, multiplied by each employee’s current hourly pay rate and current fringe benefits rates.

Funds that are drawn down for accrued leave that is expensed to a grant will be separately tracked and deposited in the Organization’s savings account as a funded liability (2 CFR 200.431(b) [45 CFR 75.431(b)]. Also see CASH ACCOUNTS section of this manual.

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

Accrual of Income Taxes

GLCAP is exempt from federal income taxes. However, if GLCAP 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 GLCAP 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

GLCAP takes several “income tax positions” consistent with FASB Interpretation ASC 740-10No. 48 that are reflected in the Organization’s financial statements. The primary income tax positions of GLCAP are:

1. GLCAP 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. GLCAP 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. 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. GLCAP’s calculations of income, deductions, etc. reported on its state income tax return are in compliance with state laws and regulations.

5. GLCAP’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).

6. GLCAP’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 GLCAP 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 GLCAP shall be the responsibility of the CFO.

The CFO shall provide a briefing to the Board Finance Committee and obtain the committee’s concurrence each time an income tax position is established or changed.
FINANCING ARRANGEMENTS

General Policy

GLCAP requires that all financing arrangements be approved by the Board of Directors and signed by the President/CEO.

Recordkeeping

GLCAP 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.

Non-Interest-Bearing Notes Payable

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

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

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

**Classification of Net Assets**

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

**Net Assets with Donor Restrictions** – The part of net assets of GLCAP that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants) that is specific in nature and may be set aside for programs, investment, contingencies, purchase, special projects, or other uses.

**Net Assets without Donor Restrictions** – The part of net assets of GLCAP that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**Composition of Net Assets**

Net asset composition of the Organization’s endowment funds and board designated funds shall be disclosed as follows, when applicable:

**Board Designated Net Assets** – Net assets without donor restrictions subject to self-imposed limits by action of the Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses. Some governing boards may delegate designation decisions to internal management. Such designations are considered to be included in board-designated net assets. This includes board designated endowment funds.

**Board Designated Endowment** – Net assets without donor restrictions subject to self-imposed limits by action of the Board of Directors to be invested for a long, but not necessarily a specified, period of time to provide investment income to the Organization.

**Donor Restricted Endowment** – Funds subject to trust law or donor-imposed restrictions requiring the investment of the gift in perpetuity or for a specified term, the amount of which includes the original donor restricted gift and any gains or net appreciation of the fund not considered to be available for expenditure.

**Underwater Endowment Fund** – A donor-restricted endowment fund for which the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions. The amount of these net assets shall include original donor restricted gift and accumulated losses. See the CONTRIBUTIONS ACCOUNTING and INVESTMENT sections elsewhere in this manual for related policies on Endowment Funds.

Donor-imposed restrictions are stipulations by the donor that may be temporary in nature (e.g., stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment). Other donors impose restrictions that are perpetual in nature (e.g., stipulating that resources be maintained in perpetuity). Laws may extend the limits in investment returns from those resources and to other enhancements or diminishments of those resources. Thus, those laws extend donor-imposed restrictions.

Also see RELEASE OF DONOR RESTRICTION in CAPITAL ASSET section elsewhere in this manual.

Also see REVENUE RECOGNITION and CLASSIFICATION OF INCOME sections of this manual.
Reclassification of Net Assets

The Organization shall report in its statement of activities a net asset reclassification from with donor-imposed restriction to without donor-imposed restriction 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 of net assets shall be reported only upon the satisfaction of the final remaining restriction. Also see CLASSIFICATION OF INCOME section elsewhere in this manual.

If the Organization accepts and receives a restricted contribution from a donor who further stipulates that the Organization set aside a portion of its net assets without donor-imposed restrictions for that same purpose, the Organization shall report in its statement of activities a reclassification of net assets from without donor-imposed restriction to with donor-imposed restriction, based on the specific nature of the restriction. (See the GIFT ACCEPTANCE section for determining whether to accept a gift that requires reclassification of net assets.)

Disclosures

The Organization discloses in a footnote to the financial statements the different types of donor-imposed restrictions and board designations 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 in two groups (net assets without donor restrictions and net assets with donor restrictions).

2. **Statement of Activities** – Presents support, revenues, expenses, and other changes in net assets of the Organization, by category of net asset (net assets without donor restrictions and net assets with donor restrictions), 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).

In accordance with Standards of Financial Management Systems, GLCAP will prepare 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 200.328 [45 CFR Parts 75.341], Financial Reporting, and 200.327 [75.342], Monitoring and Reporting Program Performance, and/or the award.

Frequency of Preparation

The objective of the Accounting 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 11th 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

3. **Head Start Agencies** - Monthly credit card expenditures, including all charge account expenditures, will be provided to the Board of Directors and monthly credit card
expenditures, including all charge account expenditures for the Head Start/Early Head Start program will be provided to the Policy Council.

4. In accordance with Standards for Financial Management Systems, information that relates financial data to performance accomplishments and demonstrates cost effective practices as required by funding sources will be prepared (2 CFR Part 200.301 [45 CFR Part 75.301], Performance Measurement)

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

In order to facilitate review by non-financial staff, individual statements of activities on a departmental and functional basis and/or program/grant basis or a comparison of actual year-to-date revenues and expenses with year-to-date budgeted amounts will be distributed to the appropriate Department Directors.

**Review and Distribution**

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

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:

- Board of Directors (Corporate Consolidated Statements)
- President/CEO / Management Team (Consolidated Statements w/Department Report)
- Department Directors and any other employee with budget-monitoring responsibilities (Program operating statements)

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 GLCAP’s budget monitoring policies described later in this manual (under the Financial Management Policies section).

**Budget Variance Analysis and Projections**

On a monthly basis, financial statements distributed to Department Directors with budgetary responsibilities shall be accompanied by a request for variance analysis for select programs as determined by the CFO. Each Department Director shall define the root cause of each variance, explaining the reasons for program deficits or under/over budget deficits for programs listed on the Variance Report. In addition to explaining the reasons for such variances, Department Directors shall also provide a corrective action plan that will be taken to avoid deficits by year-end.

In addition, Department Directors will inform the CFO of any program budget variances that exceed the amounts allowable by the funder. The Department Director and/or the CFO will determine if awarding agency approval is required for any budget changes.

**Monthly Distribution**

On a monthly 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 GLCAP’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 Board Finance Committee, at which the Board Finance Committee will vote to accept or reject the annual financial statements and recommend approval of the audit to the full Board. See separate policies regarding the annual audit under “Financial Management Policies.”
PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Consolidation Policy

While GLCAP 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 GLCAP is affiliated with that may result in the requirement to be consolidated with GLCAP’s financial statements are:

1. Other nonprofit organizations
2. Corporations in which GLCAP has an ownership interest
3. Partnerships and LLCs

GLCAP shall prepare consolidated financial statements that include the accounts of other nonprofit organizations if the criteria defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, is met.

In addition, consolidation is encouraged (but not required) when control, other than that described above, perhaps in the form of an affiliation agreement, exists as well as economic interest in another nonprofit organization. In order to consolidate under this guidance, consolidated financial statements must be meaningful.

The existence of control or an economic interest, but not both, does not result in consolidation.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, GLCAP 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 GLCAP 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 GLCAP 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 GLCAP 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 GLCAP 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. As an
organizations with $10 million or more in total assets, filing at least 250 or more tax returns including Forms W-2, Forms 1099, Form 990, income tax returns, and excise tax returns, GLCAP must file Form 990 electronically.

2. **Form 990-T** – Annual tax return to report GLCAP’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 1120** – Annual return for GLCAP’s related Housing Corporations. Form 1120 is due on the 15th day of the third month after the end of the fiscal year, but a 6-month extension of time to file may be requested using Form 7004. In the case of the Housing Corporations, the return is based on the K-1 statement received from its respective LLC subsidiary.

4. **Form 5500** – Annual return for GLCAP’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.

5. **State of Ohio Charitable Trust Filing** – Filed with the State of Ohio to report on the filing of the GLCAP federal 990 tax form. GLCAP’s Charitable Trust Filing is due by the due date of the IRS form 990, including all extensions provided.

6. **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. All forms are mailed as part of GLCAP internal controls.

7. **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.

8. **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.

GLCAP’s fiscal and tax year-end is September 30. All annual tax and information returns of GLCAP (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 Payroll Specialist.

GLCAP complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each GLCAP employee.

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

A draft of GLCAP’s annual Form 990 information return shall be reviewed by the Board Finance Committee and approved by the Board of Directors prior to being filed with the Internal Revenue Service. This review and approval shall be documented with the signature of the President/CEO.
Public Access to Information Returns

GLCAP 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. GLCAP's original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

GLCAP shall comply with the federal requirements to make its forms widely available by posting all required forms on the Organization's website and referring all requesters to this website within 7 days of receipt of any request for copies. In addition to making its returns widely available on its website, GLCAP will also permit visual inspections of its returns to anyone personally appearing at the Organization's offices during normal working hours and making such a request.

1. Anyone appearing in person at the offices of GLCAP 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. GLCAP shall comply with the federal requirements to make its forms widely available by posting all required forms on the Organization's website and referring all requesters to this website within 7 days of receipt of any request for copies. In addition to making its returns widely available on its website, GLCAP will also permit visual inspections of its returns to anyone personally appearing at the Organization's offices during normal working hours and making such a request.
OTHER TAX CONSIDERATIONS

State and Local Property, Sales, Use & Income Taxes

GLCAP 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 GLCAP 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.

GLCAP 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.

GLCAP’s internet fundraising efforts could be considered charitable solicitations in various other states. GLCAP will examine the reach of its internet fundraising efforts and register to solicit funds in all applicable states. Some factors GLCAP 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 GLCAP repeatedly receives contributions from a state on an ongoing or substantial basis.
TRANSATIONS WITH INTERESTED PERSONS AND RELATED PARTIES

**Note:** Organizations are required to disclose transactions with *interested persons*. The term *interested persons* is defined similarly to, but not exactly the same as, the term *disqualified person* as used in IRC section 4958 on excess benefit transactions (e.g., 4958 considers former officers, directors, and trustees to be *disqualified persons* only for a five-year period after leaving the board, whereas the term *interested persons* covers all former board members). In addition to the list below, organizations that make grants to individuals are required to identify certain other interested persons.

**Definitions**

An *interested person* for the purposes of disclosure is a disqualified person. A disqualified person is a person who is in a position to exercise substantial influence over the affairs of the Organization. This person does not have to actually exercise substantial influence, just be in the position to do so.

A *related-party* is an entity that can exercise control or significant influence over management of the Organization to the extent one of the entities may be prevented from pursuing its own interests. This can be any party the Organization deals with that can exercise that control.

**Identification of Interested Persons or Related Parties**

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:

- All current officers, directors, trustees, and key employees (individuals required to be listed on the Form 990).
- All former officers, directors, trustees, and key employees (within the last five (5) years).
- Substantial contributors (a person required to be listed on Schedule B of the Form 990).
- 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.
- Domestic partner and parents thereof, including domestic partners of any individual in item.
- Any individual related by blood or affinity whose close association with an individual in item #1, #2, #3, #4, #5, or #6 is the equivalent of a family relationship.
- A 35% controlled entity of any of the persons listed in 1, 2, or 3.
- A donor or donor advisor to a donor-advised fund.
- An investment advisor of a sponsoring organization.
• An employee (or child of an employee) of a substantial contributor or of a 35% controlled entity, only if the employee received a grant or assistance by the direction or advice of the contributor or designee of the controlled entity.

• Separate entities that solicit funds in the name of the Organization and substantially all of the funds solicited are intended for the use of the Organization
• Brother-sister organizations and certain national, state, and local affiliates
• Entities whose officers or directors are also members of the organization’s governing board

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 and provided to the Form 990 preparer.
UNRELATED BUSINESS ACTIVITIES

Identification and Classification

GLCAP 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.

Unrelated business income is income from an unrelated trade or business that is regularly carried on and not substantially related to the Organization’s exempt purpose. Examples include:

- Advertising income
- Certain corporate sponsorship activities
- Income from investments in other entities
- Rents from debt-finance property
- Sales of items unrelated to the Organization’s mission in gift shops, online storefronts, similar retail items
- Any on-premises athletic facility

Allocation of Expenses to Unrelated Activities

In addition to segregating income associated with activities that are unrelated to GLCAP’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.

Each unrelated trade or business, less its specific expenses, will be tracked separately and not offset against other unrelated business activities.

Reporting

GLCAP 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.

GLCAP 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 for the State of Ohio.
JOINT VENTURES

GLCAP 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, GLCAP 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. GLCAP 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 and human resource 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. GLCAP will document and follow all such requirements.

Preparation and Adoption

GLCAP will prepare an annual budget on the accrual basis of accounting. The CFO gathers proposed Organization-wide budget information from all Department Directors and the members of the Budget Committee and prepares the first draft of the budget. Department Director will discuss any significant program deficits with the President/CEO to come up with recommendations.

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 President/CEO and the Management Team for discussion, revision, and initial approval.

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

It is the policy of GLCAP to adopt a final budget at least 15 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 Accounting 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

GLCAP 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.

In accordance with Standards for Financial Management Systems, the Organization will provide budget to actual reports for its federal awards. 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 Accounting Department and distributed to each employee with budgetary responsibilities. Accounting and program staff will meet monthly during the program’s fiscal meeting to review significant budget issues. Department Directors shall be responsible for responding with a written explanation of all budget
variances identified by the CFO on the Variance Report. Any variances that would jeopardize current or future funding and/or significantly impact service delivery will call for a plan of action to be reviewed and discussed with the President/CEO.

In addition, Department Directors shall submit quarterly performance (non-financial) reports based on ROMA goals and variances to the CFO, the President/CEO, and the Board of Directors.

**Budget and Program Revisions**

GLCAP 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 of less than $25,000 within a single program may be made by the Department Director, with the approval of the CFO. Reclassifications of budgeted expense amounts of greater than $25,000 may be made with approval of the President/CEO.
ANNUAL AUDIT

Arranging for the Annual Audit

GLCAP 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 Finance Committee upon the completion of their audit. In addition, members of the Board Finance Committee and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor’s opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the Organization’s May Board Meeting, after the financial statements have been reviewed and approved by the Board Finance Committee.

Auditor Independence

GLCAP 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 President/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

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

1. Any time there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every 5 years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every 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 GLCAP 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.
5. The responsiveness to the request for proposal.
6. The availability of staff with professional qualifications and technical abilities.
7. The results of peer and external quality control reviews.

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

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resume) of key firm member who will serve GLCAP
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
In order to narrow down the proposals to the top selections, the CFO shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. Copies of all proposals shall be forwarded to each member of the Board Finance Committee. After the CFO narrows down the field of prospective auditors to three firms, final interviews of each firm are conducted by the Board Finance Committee, who makes the final recommendation to the Board of Directors for approval.

**Preparation for the Annual Audit**

GLCAP 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 Accounting 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 GLCAP. 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 GLCAP board members, audit or Board Finance Committee members, or employees of GFP 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 GLCAP 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, GLCAP 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 GLCAP 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 GLCAP.
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 and a copy submitted to the Board Finance Committee.

**Audit Adjustments**

It is the policy of GLCAP 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 Board Finance 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 Board Finance Committee, the President/CEO, and the CFO. The President/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 Board Finance Committee for its review and approval.

**Board Finance Committee Responsibilities**

In accordance with the GLCAP bylaws, the Board Finance Committee acts as the Audit Committee for the organization. See the “Board Governance” section of this manual, as well as the Board Finance Committee Charter, for a detailed description of the Audit Committee’s responsibilities and its authority.

**Board Finance Committee Communications with the Auditors**

In accordance with generally accepted auditing standards, in connection with and at the conclusion of each annual audit, the auditors are required to make certain communications directly to the Board.
Finance 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 Board Finance Committee members.

Some of the communications that GLCAP’s auditors may have with the Organization’s Board Finance Committee include:

1. Planning discussions prior to commencing the audit, such as by inquiring of Board Finance Committee members their perception of where the risk of material misstatements in the Organization’s financial statements may be greatest, the various risks of fraud, and other inquiries.

2. Planning stage communications informing the Board Finance Committee of the planned scope and nature of certain audit procedures that the auditors plan to perform, to aid in the Board Finance Committee members having a thorough understanding of the audit.

3. Internal control deficiencies noted during the audit, communicated in writing at the conclusion of the audit.

4. Any material fraud detected by the auditor, or any fraud, regardless of materiality, involving senior management, noted at any time during the audit.

5. Significant problems or other issues that arose during the audit (e.g., disagreements with management and certain other items that the auditors may be required to report to the Board Finance Committee).

6. Audit adjustments made by the auditors as a result of their audit.

7. Certain audit differences noted by the auditors that they deemed not material enough to warrant making an adjustment for.

Board Finance 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 GLCAP.

GLCAP maintains adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery, and other items of value.

Insurance Definitions

Cyber Insurance
Assists in protecting from expenses or business losses incurred in the event of a data breach, hacking, or other similar events that are not covered by other policies.

Directors and Officers (D&O)
Indemnifies directors and officers for damages and defense costs from lawsuits alleging various wrongful acts. Depending on coverage elected, D&O may cover directors, officers, employees, staff, volunteers, and committee members against employment practices, defense expenses outside limits of liability, prior acts, or other acts.

Fidelity Bond
Offers protection to the employer against monetary or physical losses caused by an employee’s fraudulent or dishonest actions.

General Liability
A broad policy that protects the organization from claims from damage or injury related to bodily injury, property damage, operations, independent contractors, or others. This type of coverage may include directors, officers, and employee general liability insurance, buildings, contents, computers, boilers, and machinery.

Umbrella
Additional liability coverage to protect against significant risk of loss for claims that exceed the limits of a primary insurance policy.

Workers’ Compensation and Employer’s Liability
Workers’ compensation provides monetary benefit to workers injured in the course of employment. Employers’ liability protects employers from financial loss if a worker’s job-related injury or illness is not covered by workers’ compensation.
Coverage Guidelines

As a guideline, GLCAP will arrange for the following types and levels of insurance as a minimum:

<table>
<thead>
<tr>
<th>Type of Coverage</th>
<th>Amount of Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Liability</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Umbrella Liability</td>
<td>$1,000,000–$10,000,000</td>
</tr>
<tr>
<td>Automobiles for Employees, Volunteers, or Escorts</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Employee dishonesty/bonding</td>
<td>$1,000,000 for all accounting department employees and the President/CEO</td>
</tr>
<tr>
<td>Fire and Water Damage</td>
<td>Coverage for all items with acquisition cost greater than $1,000</td>
</tr>
<tr>
<td>Directors and Officers</td>
<td>$1,000,000 (with an appropriate deductible level)</td>
</tr>
<tr>
<td>Theft</td>
<td>Coverage for all items with acquisition cost greater than $1,000</td>
</tr>
<tr>
<td>Workers’ Compensation</td>
<td>To the extent required by law (or contractual obligations of the Organization)</td>
</tr>
</tbody>
</table>

GLCAP 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

Contractors

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 will 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 Bonds

For all personnel handling cash or preparing or signing checks, GLCAP will obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the Organization will determine the dollar limit of this coverage.
 RECORD RETENTION

Record Retention Policy

GLCAP 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 shall 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 will 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 GLCAP is as follows:

<table>
<thead>
<tr>
<th>Record</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORPORATE DOCUMENTS:</td>
<td></td>
</tr>
<tr>
<td>Audit reports</td>
<td>Permanent</td>
</tr>
<tr>
<td>Correspondence – Legal and important matters</td>
<td>Permanent</td>
</tr>
<tr>
<td>Deeds, mortgages, and bills of sales</td>
<td>Permanent</td>
</tr>
<tr>
<td>Financial statements – Year-end</td>
<td>Permanent</td>
</tr>
<tr>
<td>General ledgers/year-end trial balance</td>
<td>Permanent</td>
</tr>
<tr>
<td>Board of Director meeting minutes, bylaws, and charters</td>
<td>Permanent</td>
</tr>
<tr>
<td>Retirement and pension records</td>
<td>Permanent</td>
</tr>
<tr>
<td>Tax returns and worksheets, examination reports and other documents relating to tax filings</td>
<td>Permanent</td>
</tr>
<tr>
<td>Trademark registrations and copyrights</td>
<td>Permanent</td>
</tr>
<tr>
<td>EMPLOYMENT RECORD RETENTION:</td>
<td></td>
</tr>
<tr>
<td>Federal Employment Taxes</td>
<td>4 Years</td>
</tr>
<tr>
<td>State Employment Taxes</td>
<td>4 Years</td>
</tr>
<tr>
<td>Unemployment Compensation Returns</td>
<td>6 Years</td>
</tr>
<tr>
<td>Workers Compensation Certificates of Payment</td>
<td>Permanent</td>
</tr>
<tr>
<td>Payroll Reports</td>
<td>6 Years</td>
</tr>
<tr>
<td>City Employment Taxes</td>
<td>4 Years</td>
</tr>
<tr>
<td>Employment Contracts, Confidentiality Agreements, Written Policies</td>
<td>Permanent</td>
</tr>
<tr>
<td>Retirement Benefit Plan Records</td>
<td>Permanent</td>
</tr>
<tr>
<td>COBRA Records</td>
<td>Permanent</td>
</tr>
<tr>
<td>Recruitment and Hiring Records of Unsuccessful Candidates</td>
<td>6 Years</td>
</tr>
<tr>
<td>Testing and Selection Procedures</td>
<td>6 Years</td>
</tr>
<tr>
<td>Basic Personnel Files</td>
<td>6 Years</td>
</tr>
<tr>
<td>Documents related to Employee Leaves (FMLA)</td>
<td>4 Years</td>
</tr>
<tr>
<td>Records Regarding Promotions, Transfers, Demotions, Training, Layoff, and Recall</td>
<td>6 Years</td>
</tr>
<tr>
<td>Payroll Records</td>
<td>5 Years</td>
</tr>
<tr>
<td>Employee Medical Records</td>
<td>30 years</td>
</tr>
<tr>
<td>Health Insurance Claims</td>
<td>1 Year</td>
</tr>
<tr>
<td>Record Type</td>
<td>Retention Period</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Employee Exposure Records</td>
<td>30 Years</td>
</tr>
<tr>
<td>Workers Compensation Records</td>
<td>30 Years</td>
</tr>
<tr>
<td>OSHA Forms &amp; Records required by Specific Standards</td>
<td>5 years</td>
</tr>
<tr>
<td>Material Safety Data Sheets</td>
<td>Permanent</td>
</tr>
<tr>
<td>Documents Reflecting Hazard Communication Safety Training</td>
<td>Permanent</td>
</tr>
<tr>
<td>Immigration Records</td>
<td>3 years post employment</td>
</tr>
</tbody>
</table>

**PENDING OR COMPLETED LITIGATION:**

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending or Completed Litigation or Administrative Proceedings</td>
<td>Permanent</td>
</tr>
<tr>
<td>Settlement Agreements, Releases, Consent Orders, Judgments, Legal Correspondence</td>
<td>Permanent</td>
</tr>
<tr>
<td>Customer Complaints, Warranties, Accident Reports, Documentation</td>
<td>Permanent</td>
</tr>
<tr>
<td>Affirmative Action Programs and Documentation of Good Faith Efforts</td>
<td>3 years</td>
</tr>
<tr>
<td>Complaints of Discrimination on the Basis of Disability</td>
<td>5 Years</td>
</tr>
</tbody>
</table>

**FEDERAL GRANT FINANCIAL RECORDS, SUPPORTING DOCUMENTATION, PROGRAM FILES:**

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident reports/claims (settled Cases)</td>
<td>3 years</td>
</tr>
<tr>
<td>Accounts payable ledgers and schedules</td>
<td>3 years</td>
</tr>
<tr>
<td>Accounts receivable ledgers and schedules</td>
<td>3 years</td>
</tr>
<tr>
<td>Contracts, notes, and leases – expired</td>
<td>3 years</td>
</tr>
<tr>
<td>Insurance claims</td>
<td>3 years</td>
</tr>
<tr>
<td>Inventories of products, materials, and supplies</td>
<td>3 years</td>
</tr>
<tr>
<td>Invoices (to customers, from vendors)</td>
<td>3 years</td>
</tr>
<tr>
<td>Notes receivable ledgers and schedules</td>
<td>3 years</td>
</tr>
<tr>
<td>Property records (incl. depreciation schedules)</td>
<td>3 years</td>
</tr>
<tr>
<td>Purchase orders</td>
<td>3 years</td>
</tr>
<tr>
<td>Sales records</td>
<td>3 years</td>
</tr>
<tr>
<td>Subsidiary ledgers</td>
<td>3 years</td>
</tr>
<tr>
<td>Timesheets/cards</td>
<td>3 years</td>
</tr>
<tr>
<td>Bank statement &amp; reconciliations</td>
<td>3 Years</td>
</tr>
<tr>
<td>Chart of accounts</td>
<td>3 Years</td>
</tr>
<tr>
<td>Insurance policies (expired)</td>
<td>3 Years</td>
</tr>
<tr>
<td>Internal audit reports</td>
<td>3 Years</td>
</tr>
<tr>
<td>Internal reports</td>
<td>3 Years</td>
</tr>
<tr>
<td>Petty cash vouchers</td>
<td>3 Years</td>
</tr>
</tbody>
</table>

**CORRESPONDENCE:**

<table>
<thead>
<tr>
<th>Record Type</th>
<th>Retention Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondence / Email – Historically Significant</td>
<td>2 Years</td>
</tr>
<tr>
<td>Correspondence / Email – General Management</td>
<td>6 months</td>
</tr>
</tbody>
</table>

In accordance with Standards for Financial Management Systems, GLCAP will maintain records that adequately identify the source and application of funds for federally-funded activities. These records
will contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income, and interest, and be fully supported by source documentation.

**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.

**Protection of Records – Federal Matters**

GLCAP 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 within the Personnel Policy and Procedures Manual.