Early Learning Coalition of Manatee County

Accounting & Financial Policies and Procedures Manual

Effective Date(s) of Policies

The effective date of all accounting policies described in this manual is January 1, 2010. If a policy is added or modified subsequent to this date, the effective date of the new/revised policy will be indicated in the footnote.

The contents of this manual were approved as official policy of the Early Learning Coalition of Manatee County, Inc. by the Board of Directors. All Coalition staff are bound by the policies herein, and any deviation from established policy is prohibited.

Policy Sections

- Organization Structure
- Accounting Services
- General Ledger and Chart of Accounts
- Revenue
- Contributions Received
- Allowability of Costs
- Billing and Invoicing
- Cash Receipts
- Use of Purchase Orders
- Authorizations and Purchasing Limits
- Personal Loans
- Accounts Payable Management
- Cash Disbursements and Check Writing
- Asset and Liability Accounts
- Financial and Tax Reporting
- Annual Audit
- Functional Expense Allocations

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

The Early Learning Coalition of Manatee County (Coalition) is governed by its Board of Directors, which is responsible for the oversight of the organization by:

1. Planning
2. Establishing broad policies
3. Identifying and proactively dealing with emerging issues
4. Interpreting the organization's mission to the public
5. Soliciting prospective contributors
6. Hiring the Chief Executive Officer
7. Establishing and maintaining programs and systems designed to assure compliance with terms of contracts and grants

The board is responsible for hiring and annually evaluating the organization's Chief Executive Officer's management of the Coalition and its financial affairs, who shall be responsible for the day-to-day oversight and management of the Coalition.

Committee Structure

The board of directors shall form committees to assist the board in fulfilling its responsibilities. These committees represent vehicles for parceling out the board's work to smaller groups, thereby removing the

responsibility for evaluating all the details of issues from the full board's consideration. Standing board-level committees of the Early Learning Coalition consist of the following:

1. Executive Committee
2. Finance Committee
3. Governance Committee
4. Strategic Planning Committee

Specific guidelines regarding the composition and election of the board of directors and committees are described in the organization's by-laws. However, roles of committees with direct responsibilities for the financial affairs of the organization are further described in this manual. These committees shall be referred to in appropriate sections of this manual.

Finance Committee Responsibilities
The Executive/Finance Committee is responsible for direction and oversight regarding the overall financial management of the Coalition. Functions of the Finance Committee include:

1. Review and recommendation of the organization's annual budget and any revisions to the budget (prepared by the staff) for final approval by the full board.
2. Long-term financial planning that determines the financial impact of strategic initiatives and links planning and budget resource allocation and supports and promotes long-term financial sustainability.
3. Managing investments
4. Evaluation and approval of facilities decisions (i.e., leasing, purchasing property).
5. Monitoring actual vs. budgeted financial performance., including the alignment of cash reserves with the operating and investment policy, and service revenue and actual service delivery costs
6. Overseeing the financial management and reporting process
7. Selection of an independent auditor
8. Meeting and corresponding with the independent auditor to review the findings of the audit, accompanying financial information, and accompanying management letter, if applicable
9. Formal acceptance of the auditor's report within 180 days of the close of the fiscal year
10. Reporting any findings and making recommendations at the next official meeting of the governing body
11. Assuring the Chief Executive Officer acts promptly upon recommendations in the management letter if any
12.

The review of the organization's financial statements shall not be limited to the Finance Committee but shall involve the entire board of directors. The Chief Executive Officer, Chief Financial Officer, and Chief Operations Officer may attend the Finance Committee meetings.

ACCOUNTING SERVICES

The Chief Financial Officer is responsible for:

General Ledger
Budget to Actual Reporting
Accounts Receivable and Billing
Cash Receipts and Invoicing

Accounts Payable
External Reporting of Financial Information
Cash Disbursement
Annual Financial Audit
Fiscal Monitoring and Reviews by the Division of Early Learning and other Funders
Bank Reconciliation
Reconciliation of sub-ledgers
Oversight and Enforcement of Fiscal policies and Procedures

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of the Coalition and is supported by subsidiary ledgers that provide details for accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview

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

The Coalition'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

Distribution of Chart of Accounts

All Coalition employees involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts. As the chart of accounts is revised, an updated copy of the chart of accounts shall be distributed to these individuals promptly.

Control of Chart of Accounts

The Coalition's chart of accounts is monitored and controlled by the Chief Financial Officer. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Treasurer, who ensures that the chart of accounts is consistent with the organizational structure of the Coalition and meets the needs of each division and department.

Account Definitions
General Ledger

Account Range	**Category Definition**
1000 - 1999	**Assets**

Assets are probable future economic benefits obtained or controlled by the organization because of past transactions or events. Assets of the Coalition are classified as current assets, fixed assets, contra-assets, and other assets.

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

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

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

Other assets include long-term assets that are assets acquired with the intention of disposing of them beyond the near future. Some examples are security deposits, items of property and long-term investments.

2000 – 3999 Liabilities and Net Assets

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 because of past transactions or events. Liabilities of the Coalition are classified as current or long-term.

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

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

Net Assets is the difference between total assets and total liabilities. See the next section for the Coalition's policies on classifying net assets.

4000 - 4999 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 of the ELCMC include contributions received from donors and grants received from government agencies, private foundations, individuals and corporations. Primary sources of revenue are federal and state dollars from the Division of Early Learning (DEL) and local dollars from Manatee County Government.

5000 - 9999 Expenses

Expenses are outflows or other using up of assets or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute the Coalition'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 or contributions. 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 the Coalition sells a fixed asset or writes off as worthless a fixed asset with remaining book value.

Fiscal Year of Organization
The Coalition shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the organization must be ratified by majority vote of the Coalition's board of directors.

Journal Entries
All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Non-recurring 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. Accretion of discounts on promises to give
4. Accruals of recurring expenses
5. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher. Journal entries greater than $1,000 are reviewed periodically by the Treasurer.

Monthly Close

The Chief Financial Officer is responsible for the monthly close of financial statements to achieve a proper cutoff of each month's financial activities. The use of standard journal entries, checklists, and comparison of month-to-month financial statements are tasks that are completed monthly.

REVENUE

REVENUE
Revenue Recognition Policies
The Coalition receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of the organization in the following manner:

1. **Grant income** - Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards).
2. **Contracts from Customers** – In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, which amends the existing accounting

standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when contract performance obligations are met.

3. **Conference and seminar revenue** – Recognized as income when received.
4. **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income).

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

CONTRIBUTIONS RECEIVED

Definitions

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

Contribution - An unconditional transfer of cash or other assets to the organization, or a settlement or cancellation of the organization's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the organization or releases the promisor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in Early Learning Coalition's articles of incorporation and bylaws. Restrictions on the Coalition's use of an asset may be temporary or permanent.

Non-reciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to the Coalition without directly receiving value from the Coalition in exchange.

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

Exchange Transaction - A reciprocal transaction in which the Coalition and another entity each receive and sacrifice something of approximately equal value.

Accounting for Contributions

The Coalition shall recognize contribution income in the period in which the organization receives restricted or unrestricted assets in non-reciprocal transfers, or unconditional promises of future non-reciprocal asset transfers, from donors. Contribution income shall be classified as increases in net assets without donor restrictions or net assets with donor restrictions.

Unconditional promises to give shall be recorded as assets without donor restrictions of the Coalition in the period that the Coalition receives evidence that a promise to support the organization has been made. 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 of more than 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 the Coalition at the time the organization receives a promise from a donor.

When the final time or use restriction associated with a contributed asset has been met, a reclassification from net assets with donor restrictions to net assets without donor restrictions shall be recorded.

When it receives support in the form of volunteer labor, the Coalition shall record contribution income and assets or expenses if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
    a) It is the type of service that would typically need to be purchased by the ELCMC if it had not been contributed,
    b) It requires specialized skills (i.e. formal training in a trade or profession), and
    c) It is provided by an individual possessing those specialized skills.

Examples of contributed services received and recorded as income and expense by the Coalition may include contributed services that meet one of the two preceding criteria and shall be recorded at the fair market value of the service rendered.

Receipts and Disclosures

The Coalition 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, the Coalition shall adhere to the following guidelines and the organization's Fundraising Policies and Procedures, with respect to contributions received by the organization.

For any separate contribution, received Coalition shall provide a receipt to the donor. The receipt shall be prepared by the Coalition’s accounting department. All receipts prepared by Coalition 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 the Coalition provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the organization from the donor, and
3. If any goods or services were provided to the donor by the Coalition, a description and good faith estimate of the value of those goods or services.

When the Coalition receives cash more than $250, or noncash property with a value more than $250, 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 the Coalition receives cash or property in a transaction that is part contribution and part exchange transaction (i.e. the value of the goods or services

provided to the donor by the Coalition is less than the value of cash or property provided by the donor). In such instances, the Coalition shall provide to the donor a receipt stating that only the amount contributed more than the fair market value of the goods or services provided by the Coalition 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 the Coalition.

ALLOWABILITY OF COSTS

The Coalition, as a non-federal entity that manages and administers federally-funded grant programs must maintain written procedures for determining the allowability of costs in accordance with Subpart E – Cost Principles of this part and the terms and conditions of the Federal award.

Note: Priority of Compliance with Federal Guidance: If instances of inconsistency are noted between USDHHS program guidance (i.e., 2 CFR §300 and 45 CFR Parts 98 and 99) and the OMB uniform guidance (i.e., 2 CFR §200), the program-specific guidance instructions from USDHHS will govern and will supersede the standard instructions from 2 CFR §200 all circumstances.

Note: Priority of Compliance with State Guidance: Please note State of Florida's program-specific instructions from state statutes, rules, regulations, or guidance from the Department of Management Services (DMS) or the Department of Financial Services (DFS) also apply to and govern the Division of Early learning programs. If instances of inconsistency are noted between federal level program guidance and the state's guidance on expenditures, the state guidance from DFS and DMS will govern.

The Coalition applies the following questions to each transaction and provides adequate documentation (complete and accurate records):

Phase I Analysis – General Considerations for Allowable Costs

A. Consider requirements from federal regulations and program requirements
    1. Is the proposed cost allowable based on instructions from uniform grant guidance?
    2. Is the proposed cost consistent with the federal cost principles?

B. Consider requirements from the federal awarding agency
    3. Is the proposed cost allowable based on agency-specific regulations?
    4. Is the proposed cost allowable based on the related terms/conditions that govern the agency's award to/agreement with the Division of Early Learning?
    5. Is the proposed cost consistent with the grant project performance measures or benchmarks?

C. Consider requirements from applicable state guidance
    6. Is the proposed cost consistent with authorized grant program activities as described in the USDHHS-approved CCDF State plan?
    1. Is the proposed cost allowed by state expenditures guidance from state statutes, rules, regulations, or guidance from the Department of Financial Services/the Department of Management Services?
    2. Does the proposed cost comply with related grant program terms/conditions issued by DEL for grant awards, contracts, purchase orders and other expenditure agreements?

D. Consider the period of performance
   9. Is the proposed cost for the allowed period of availability as defined for the funding program?

E. Consider other oversight instructions
   10. If federal or state-level prior approval is required for the proposed cost, was this process followed?

Phase II Analysis – Specific factors affecting allowable costs
(Several additional factors should be considered and documented by staff for cost transactions. The answer for each question listed here must be "yes" for staff to continue with the transaction.)

F. The proposed cost(s) is/are –
   11. Necessary
   12. Reasonable
   13. Allocable
   14. In conformance with federal law and grant terms and conditions
   15. Consistent with state and local policies
   16. Consistently treated
   17. In accordance with generally accepted accounting principles (GAAP) and other standards. Each non-federal entity that receives federal/state grant program funds must use accounting rules and procedures established by authoritative bodies or conventions that have evolved through custom and common usage.
   18. Not used as match on another federal award
   19. Net of applicable credits (2 CFR §200.406)
   20. Adequately documented

All unallowable costs shall be appropriately segregated from allowable costs in the general ledger to assure that unallowable costs are not charged to federal awards.

BILLING/INVOICING POLICIES

Overview
The following is a list of items billed and/or accrued and received by ELCMC and the frequency with which each is billed:

Annual Billings
None
Quarterly Billings
Grants
Monthly Billings
Grants and contracts
Daily ("as needed") Billing Contracts as needed

Preparation and Submission of Billings/Reimbursement Requests

The Coalition requests reimbursement for award expenditures for actual amounts as posted to the general ledger as the source for all invoice amounts.

Accounts Receivable Entry Policies

Posting of grant/contract invoices to the accounts receivable subsidiary ledger shall be performed by individuals independent of the cash receipt's function.

Posting of credit memos and other adjustments to grant/contract accounts receivable shall also be performed by an individual independent of the cash receipt's function.

Classification of Income and Net Assets

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The new guidance was effective beginning in 2018 and the Coalition changed its presentation of net assets classes and expanded the footnote disclosures in its financial statements as required by ASU 2016-1.

Net Assets Without Donor Restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets with Donor Restrictions consist of assets whose use is limited by donor-imposed restrictions, time and/or purpose restrictions. The Coalition reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions may include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Coalition to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

CASH RECEIPTS

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

Cash Drawdowns of Advances

Each year the Coalition receives an advance of federal and state funds from the Division of Early Learning. As required by federal regulations, all advances are deposited into an insured and interest-bearing bank account. Cash advances are recorded in the general ledger balance sheet as payable by fund. The Coalition complies with instructions for requested advances in Program Guidance 240.01, *Cash Management Procedures.* The Coalition strives to minimize the time between receipt and disbursement of grant funds.

Processing of Checks and Cash Received in the Mail

For funds that are received directly at the Coalition cash receipts are centralized to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.

A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies. Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily cash receipts listing.

Non-Sufficient Funds (NSF) Checks

Signers of checks that are deposited into the ELC bank account and subsequently returned for non-sufficient funds are subject to a minimum $35.00 service charge for each returned check.

Endorsement of Checks

It is the policy of the Coalition that 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 stamp that includes the following information:

1. For Deposit Only
2. Early Learning Coalition of Manatee County, Inc.
3. The bank names
4. The bank account number of the ELCMC

Timeliness of Bank Deposits

It is the policy of the Coalition that bank deposits will be made on a weekly basis. All checks received by the Coalition are kept in a designated locked drawer until the deposit is made.

Use of Purchase Orders

The Coalition utilizes a purchase order system. Purchase orders shall be pre-numbered and issued upon request by the Finance Department from an authorized purchaser prior to the purchase of goods or services. All purchase orders are logged in the accounting system and an aged outstanding purchase order report shall be prepared and distributed monthly to the Chief Financial Officer and Contract Manager.

A properly completed purchase order request shall be required for each purchase decision $1,000 and over (total amount of goods and services purchased, not unit cost) and approved by an immediate supervisor. Once approved, a purchase order will be created by the Finance Department and approved by the Chief Executive Officer. In addition, travel advances and expense reimbursements require the preparation of a separate form described elsewhere in this manual. For purchases less than $1,000 verbal approval is accepted prior to purchase upon proper documentation of invoice. A properly completed Purchase Order shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Special conditions (if applicable)
5. Catalog number, page number, etc. (if applicable)
6. Applicable payment terms and discounts#
7. Liquidated damages#
8. Net price per unit, less discount, if any
9. Total amount of order
10. Electronic authorization/Authorized Signature
11. Date PO prepared
12. Date of performance, transportation/delivery
13. Statement regarding quantity, description and price of goods or services ordered.
14. Solicitation number (if applicable)

Additional disclosures may also apply for higher dollar purchases:

1. Payment audit (records of costs will be made available upon request.)
2. Payment made after written “agency” acceptance
3. Payment timeframe – timely payments will be made
4. Funding availability/annual appropriation
5. No lobbying
6. Public access/public records
7. Conduct of business – federal/state laws govern
8. Conflict of interest/related party activities
9. Confidentiality and safeguarding information
10. Termination for cause – required for purchases more than $10,000^
11. Remedies – required for purchases more than $35,000^

Required disclosure element per state purchasing statutes or rules (see 60A-1.016, F.A.C.).
^ Required disclosures element per federal grant program rules (see 2 CFR Part 200 Appendix II).

The following minimum Coalition control processes are required for purchase orders (see 60A-1.016, F.A.C.):

1. Secure all unused purchase orders in a safe place and restrict access to these documents.
2. Maintain a file and accounting system for all consecutive purchase orders issued or voided.
3. Maintain a record of persons authorized to issue and sign each type of purchase order.
4. Monitor and review processes for the use of purchase orders. The Coalition does not utilize field purchase orders (those used by an office separate from the main Coalition office).

Authorizations and Purchasing Limits

All completed purchase orders must be approved by the Chief Executive Officer. In addition, prior approval from the Division of Early Learning is required for purchases of individual inventory items $5,000 and over. Prior approval from the Finance Committee is required for all purchases of individual items equal to or greater than $50,000. The purchase of any good or service above $50,000 must be approved by the Board of Directors and require a minimum of three (3) written quotes or informal bids to be opened upon receipt.

One of the determining factors in deciding the method of procurement and the required contract documentation is the actual dollar amount of the commodities or contractual services to be purchased. The purchasing category threshold amounts established in section 287.017, F.S., which distinguish dollar amounts at which various purchasing rules are implemented, are as follows:

Category One: $20,000
Category Two: $35,000
Category Three: $65,000
Category Four: $195,000
Category Five: $325,000

Purchases of value below $2,500 may include, but are not limited to, a minimum of one written quote or written record of verbal quotation.

Purchases of value between $2,501 and $15,000 require a minimum of two written quotes or written records of two telephone quotations.

Purchases of value between $15,001 up to and including Category Two ($35,000) require a minimum of three written quotations or informal bids and a cost analysis. Specific selections shall be recommended to the Chief Executive Officer for approval with written quotations attached for review.

All purchase decisions of $35,000 or more shall be made by obtaining competitive proposals and reviewed and approved by the Board of Directors. Sealed bids shall be utilized when required by a Federal awarding agency. Competitive procurement includes Invitation to Bid (ITB), Request for Proposal (RFP), Invitation to Negotiate (ITN). See the Procurement Policy for additional information regarding competitive procurement.

It is recommended that at least one quote be requested from a certified minority vendor, if available. If no certified minority vendor quote is included, documentation should be provided explaining why.
A list of these can be found in My Florida Market Place: Office of Supplier Diversity (OSD) / Agency Administration / Florida Department of Management Services - DMS (myflorida.com)

The main types of non-competitive procurements include state term contracts, single source

purchases, emergency purchases, and exempt purchases. See the Procurement Policy for additional information regarding non-competitive procurement.

Personal Loans

ELCMC prohibits the use of personal loans to all employees, board members, staff of providers and material service organizations.

ACCOUNTS PAYABLE MANAGEMENT

Overview
ELCMC strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

It is the policy of the Coalition that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved purchase order where necessary and should be reviewed and approved by the Chief Executive Officer prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

1. Disbursements are properly authorized
2. Invoices are processed in a timely manner
3. Vendor credit terms and operating cash are managed for maximum benefits

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.
Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of the Coalition that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off
For purposes of the preparation of the Coalition's monthly financial statements, all vendor invoices that are received, approved, and supported with proper documentation by the tenth 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. In good faith, the ELCMC accounting department will make every effort to record invoices in the proper month.

Establishment of Control Devices

Control of invoices is established by the Executive Assistant as soon as invoices are received.

Upon receipt of invoices, each invoice is distributed to the Chief Executive Officer for approval. Invoices are then delivered to the finance department for check preparation.

Preparation of a Vendor Payment

Prior to any account payable being submitted for payment, the following documents will be provided:

1. Vendor 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
5. Any other supporting documentation deemed appropriate

Processing of Vendor Invoices

The following procedures shall be applied to each voucher package by the accounts payable clerk:

1. Check the mathematical accuracy of the vendor invoice.
2. Compare the nature, quantity and prices of all items ordered per vendor invoice to the purchase order, packing slip and receiving report.
3. Document the general ledger distribution, using the organization's current chart of accounts.
4. Obtain the review and approval of the department director (or their designee) associated with the goods or services purchased.

Processing of Child Care Independent Contractors

All Enrollment/Attendance Verification Forms will be reviewed monthly for accuracy by the designated department staff, prior to reimbursement by the Finance Department.

The ELCMC will maintain the provider grievance policy that is required by the Division of Early Learning and included in DEL's statewide provider contract. The requirement relates to the providers right to appeal payment denials.

Contracted providers will be informed in a timely manner, if payments are delayed. The ELCMC will notify contracted providers in advance (24-48 hours) through electronic communication, if the ELCMC knows in advance of impending delays.

Approvals by department directors indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with general ledger account coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individual.

Payment Discounts

To the extent practical, it is the policy of ELCMC to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled to take full advantage of the discounts.

Employee Expense Reports

Travel reimbursements to be reimbursed with state and federal funds will be in accordance with Section 112.061(3)(a), Florida Statutes. For non-local conferences and travel, a Conference and Travel Request Form **is** required to be completed by the employee and approved by the Director of Operations or the Chief Executive Officer prior to the travel.

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed Mileage Reimbursement Form (Form DBF-AA-15 Rev 5/90) . All receipts must be attached, (small receipts copied on 8 ½ X 11 paper in addition to the original sheet) and a brief description of the business purpose of the trip or meeting must be noted on the form. Expense reports will be processed for payment the month following travel if all documentation is received by the Accounting Department within 14 days after month-end. Mileage Reimbursement Forms must be signed by the employee and approved and signed by the employee's supervisor.

The Mileage Reimbursement Form and Conference and Travel Request Form are found on the ELCMC's intranet website.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

It is the policy of the Coalition to print vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

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

1. Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts offered by vendors.
3. Generally, all vendors 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 is monitored in conjunction with available cash balance in bank prior to the release of any checks.
5. All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer.
6. Checks shall be utilized in numerical order (unused checks 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, vendor invoices and other supporting documentation shall immediately be canceled to prevent subsequent reuse.

Check Signing

Expenditures and Check Preparation:

1. All invoices will be reviewed and approved by the ELCMC Chief Executive Officer prior to check issuance.
2. The Coalition's Chief Executive Officer will issue request for expenditures and payments. Chief Executive Officer authority for payment is $50,000.
3. The Coalition's Chief Executive Officer, Chair, Treasurer and two additional board members have signature authority. All checks made payable to the Chief Executive Officer shall be signed by one of the board members with signature authority. Checks $50,000 and under that do not bear the name of the Coalition's Chief Executive Officer may be signed by the Chief Executive Officer alone. Checks greater than $50,000 are required to have two authorized signatures, of which one signature may be the Coalition's Chief Executive Officer. For **credit card** payments that have expenditures incurred by the Chief Executive Officer on the credit card, a signature other than the Chief Executive Officer's will be required for checks to the credit card company. Checks over $50,000 are required to have two (2) board member signatures, not including the Coalition's Chief Executive Officer.
4. For wire and electronic funds transfers, the above signature policy remains the same except for payments to childcare providers and employees' payroll, (see #7 and #8 below). Approvals are to be obtained prior to the transfer via any one of three methods, e-mail (preferred), facsimile, or phone. Approval will be followed with the appropriate original signatures, that are handwritten or have a digital mark that identifies the signer, on a Coalition's authorization form. Wire transfers are set up for the Coalition's Bank operating account at the Early Learning Coalition. ACH transfers are set up for individual childcare providers, vendors, and Coalition staff who have a Direct Deposit Authorization on file with our office.
5. Payments made by electronic transfer through the bank's secure website can be accomplished by the Chief Financial Officer or Chief Executive Officer.
6. The accounting staff will properly record each disbursement in the accounting system to the relevant general ledger transaction account.
7. Payments to childcare providers may be made without a second signature approval regardless of the amount. In lieu of second approval, a quarterly report will be provided to the Chief Executive Officer or designee showing the list of Providers and payments made that quarter.
8. Payments to employees (bi-weekly payroll) may be made without a second signatory approval regardless of amount. A maintenance report will be reviewed for each payroll by the Chief Executive Officer or designee. When any changes are made to the Executive Officer's pay, the maintenance report will be reviewed by the Treasurer or designee.

Mailing of Checks

After signature, checks shall be given to the Executive Assistant or designee who then mails checks immediately. Checks shall not be mailed by individuals who authorize expenditures.

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 telephone instruction and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees.

Record-Keeping Associated with Independent Contractors

The Coalition shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made. A record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.

ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account)

The primary operating account provides for routine business check disbursements. Cash transfers are done on an as needed basis to cover disbursements. Excess funds in this account may be transferred into short-term investments or higher interest-bearing cash equivalents.

Bank Reconciliations

Bank account statements in pdf format are printed from the bank's website by the Chief Financial Officer each month and given to the Accounting Specialist who reconciles the accounts. A board member who is not an authorized check signer reviews the bank reconciliations for unusual or unexplained items and investigates as needed.

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

Stale Checks

For outstanding (stale) checks it is the policy of the Coalition to void checks within 90 days of issuance.

Wire Transfers

The Chief Executive Officer and the Chief Financial Officer shall be the only employees authorized to transact wire transfers from the Coalition's bank accounts. To prevent anyone other than the Chief Financial Officer and the Chief Executive Officer from transacting wire transfers, a system shall be employed that requires the use of passcodes and the calculation of a test-key for each wire transfer.

Line of Credit

The Coalition has established, and applies each year, for a revolving line of credit with the Coalition's Bank. This line is established as an additional source of liquidity to meet financial obligations at fiscal year-end when its annual advance is required to be returned to the Division of Early Learning. There are two signers required on the line of credit. They are normally the Coalition Chairman and the Secretary/Treasurer however any two board members may sign. It is preferable for the line of credit signers to also be check signers. Per the line of credit agreement, anyone (1) of the authorized persons are authorized to borrow on behalf of the Coalition. It is the policy of the Coalition that the line of credit will be used for emergency purposes only and repaid as soon as possible.

PREPAID EXPENSES

All prepayments must comply with Section 215.422(15), Florida Statutes (F.S.), and Rule 691.40.120(3), Florida Administrative Code (F.A.C.). and require prior approval from the Division of Early Learning (DEL) before any transactions are completed.

- **Prepaid items are available only to participants who are affiliated with the ELCMC and its programs and meet the specific eligibility criteria established for each program. Eligibility requirements may include performance scores, demographics, geographical location, developmental appropriateness, or capacity.**
- **Only designated staff members are authorized to purchase prepaid items (e.g., subscriptions, memberships, software licenses). These staff members are different from those who approve participants to receive these prepaid items or those who reconcile prepaid inventories.**
- **Prepaid program items are periodically reconciled to the accounting records to ensure accuracy and completeness. Any discrepancies identified during reconciliations will be investigated and resolved.**
- **Preparing and maintaining supporting records for prepaid items will follow policies outlined in the Fiscal and Procurement policies related to purchasing, contracts, etc.**
- **Prepaid items are stored in a secure location with access limited to necessary personnel only and are distributed on a first-in, first-out (FIFO) basis to ensure compliance with the period of availability requirements for grant funds, thereby maximizing the use of resources and reducing the risk of expiration or misuse.**
- **Disbursement of prepaid items will be documented, including the date, recipient, and purpose, to maintain an accurate record of inventory levels.**

Accounting Treatment

It is the policy of the Coalition to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time.

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 non-current 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.

FIXED ASSET MANAGEMENT

Capitalization Policy

Physical assets acquired with unit costs more than $5,000 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost 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.

Contributed Assets

Assets with fair market values more than $5,000 (per unit) that are contributed to the Coalition shall be capitalized as fixed assets on the financial statements.

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.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets and all tangible personal property with a value or cost of $5,000 or more having a projected useful life of one year or more shall be recorded in a property log. This log shall include the following information with respect to each asset:

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number)
4. Location of asset
5. Depreciation method
6. Estimated useful life

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

Receipt of Newly Purchased Equipment and Furniture

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

Depreciation and Useful Lives

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets 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 15th day of the fifth month shall have 8 full months of depreciation (eight-twelfths of one year) recorded for that year.

The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	-Up to 10 years
General office equipment	- 5 years
Computer hardware and peripherals	- 3-5 years
Computer software	- 2-3 years
Leased assets	- life of lease
Leasehold Improvements	- remaining lease term

Repairs of Fixed Assets

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

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

Dispositions of Fixed Assets

In the event a non-expendable asset 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 and a gain if the money received is more than the book value.

Write-Offs of Fixed Assets

The Early Learning Coalition follows the Division of Early Learning policy regarding disposal of fixed assets.

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 the fiscal year. Some of the expenses that shall be accrued by the Coalition at the end of the fiscal year are:

1. Salaries and wages
2. Payroll taxes
3. Rent
4. Interest on notes payable

In addition, the Coalition 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.

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 of the Coalition 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 non-current/long-term
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
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, and objective, format and by function (i.e., which program or supporting service was served)]

Frequency of Preparation

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

GAAP financial statements are prepared annually as part of the Coalition's independent financial statement audit.

On a quarterly basis, a revenue and expense statement and comparison of actual to budget statement are prepared for the Finance Committee and Board of Directors.

Review and Distribution

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

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

1. Treasurer and all members of the Finance Committee
2. Chief Executive Officer
3. Any other employee with budget-monitoring responsibilities

Financial statements may include an additional supplemental schedule prepared or compiled. The purpose of this schedule is to provide known explanations for material budget variances in accordance with the Coalition's budget monitoring policies.

Annual Financial Statements

A formal presentation of the Coalition's annual financial statements shall be provided by the Independent Auditor to the Finance Committee and/or Board of Directors.

GOVERNMENT RETURNS

Overview

To legitimately conduct business, the Coalition 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 include, but are not limited to, filing annual information returns with IRS, state charitable solicitation reports and annual reports for corporations.

Filing of Returns
It is the policy of Coalition to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Chief Financial Officer shall be responsible for identifying all filing requirements and assuring that the Coalition follows all such requirements.

It is also the policy of the Coalition to file complete and accurate returns with all authorities. The Coalition shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

Filings made by the Coalition 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 ELCMC is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.

2. Form 990-T (when required) - Annual exempt organization business income tax return to report unrelated business income and figure and report unrelated business income tax liability.

3. Manatee County Tangible Tax Return - Any business owner or self-employed contractor owning tangible personal property **on January 1st must file a return each year as required by Florida Statutes 193.052 and 193.062**. Property owners that loan, lease or rent tangible property to others must also report such property.

Public Access to Information Returns
Under regulations that became effective in 1999, the Coalition is subject to federal requirements to make the following forms "widely available" to all members of the public:

1. The three most recent annual information returns (Form 990), [excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A], and
2. The Early Learning Coalition's original application for recognition of its tax-exempt status filed with IRS, and all accompanying schedules and attachments.

Refer to the Coalition’s Record Management Policy: Charges for Providing Copies of Coalition Records for Publication.

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 considering the available resources.

Preparation and Adoption

It is the policy of Coalition to prepare an annual budget. To prepare the organization budget, the Chief Executive Officer shall gather proposed budget information from all staff with budgetary responsibilities and prepares the first draft of the budget with the assistance of the Chief Financial Officer.

After appropriate revisions and a compilation of all department budgets by the Chief Executive Officer, a draft of the organization-wide budget is reviewed by the Chief Financial Officer and Chief Operations Officer.

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

It is the policy of Coalition to adopt a proposed budget at least 30 days before the beginning of the organization's fiscal year. Once funders have issued Notice of Awards and Grant Agreements within the first quarter of the fiscal year, the ELCMC will make required changes and adopt the final budget proposed Finance Department will 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 reports as the year progresses.

Monitoring Performance

It is the policy of Coalition to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the quarterly financial reporting process described earlier.

Match Requirements

Match is required as part of the Coalition's contract pursuant to the receipt of federal funds. The following basic criteria are required to record match:

1. Matching funds are verifiable from the non-federal entity's records.
2. Matching funds are not included as contributions for any other federally assisted project or program unless federal program laws and regulations specifically allow it.
3. Matching funds are necessary and reasonable for proper and efficient accomplishment of project and/or program objectives.
4. Matching funds are allowed under the applicable cost principles.
5. Matching funds were not received from the federal government through another award, except where federal statute authorizes it to be allowable for cost sharing or matching.
6. Matching funds are provided for in the approved budget.
7. Matching funds conform to applicable program provisions of the federal uniform administrative requirements (2 CFR Part 215) and the laws, regulations and provisions of contract or grant agreements.

ANNUAL AUDIT

Role of the Independent Auditor

It is the policy of Coalition to 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 Coalition will be required to communicate directly with the organization's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee, or any Board Member, 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 Audit Committee by the independent accounting firm for approval.

How Often to Review the Selection of the Auditor

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

1. Anytime there is dissatisfaction with the service of the current firm
2. When a fresh perspective and new ideas are desired
3. Every five (5) years to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every five years; simply to re-evaluate 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 the Coalition 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).
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

The following information shall be included in any Request for Proposal (RFP) to be sent to prospective audit firms:

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Financial information about the organization
6. Copy of prior year reports (financial statements, management letters, etc.)
7. Identification of need to perform audit in accordance with Office of Management (OMB) Uniform Grant Guidance (2 Code of Federal Regulations (CFR), Part 200, , the Florida Single Audit Act (215.97 F.S. and Chapter 10.650, Rules of the Auditor General 691-5, Rules of the Department of Financial Services.)
8. Due date of proposals
9. Other information considered appropriate

Minimum Proposal Requirements from prospective CPA firms shall be:

1. Firm background
2. Biographical information (resumes) of key firm member who will serve
3. Client references
4. Firm's approach to performing an audit
5. Copy of the firm's most recent quality/peer review report, including any accompanying letter of findings
6. Expected delivery of reports
7. Cost estimate including estimated number of hours per staff member
8. Rate per hour for each auditor
9. Other information as appropriate

Copies of all proposals shall be reviewed by the audit committee and their recommendation shall be presented to the Finance Committee. The Finance Committee will make the final recommendation to the Board of Directors for approval.

Preparation for the Annual Audit
ELCMC shall be actively involved in planning for and assisting with the organization's independent accounting firm to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department shall aid the independent auditors in the following areas:

Planning - The Chief Financial Officer is responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - Organization staff will do as much work as possible 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 after year-end is reduced. Organization staff will do as much as possible to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

Throughout the audit process, it shall be the policy of Coalition to 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 the Coalition from its independent auditor, the Chief Financial Officer 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 the Coalition
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 Chief Financial Officer.

It shall be the responsibility of the Chief Financial Officer and Chief Operations Officer to review and respond in writing to all management letters or other internal control and compliance report findings and recommendations made by the independent auditor.

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, the Coalition strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of the Coalition to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function shall be allocated between functions whenever possible.

Equipment and Furniture Purchased with Federal Funds

The Coalition may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. In addition to those policies in Fixed 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 the Coalition, described under Fixed Asset Management.

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

1. Any equipment that is owned by the Federal government and given to the Coalition for use in a program shall be marked as such.
2. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
3. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of less than $5,000 at the conclusion of the award, the Coalition shall retain the equipment without any requirement for notifying the federal agency. If the remaining per unit fair market value is $5,000 or more, the Coalition 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, to the federal agency.
4. The Coalition 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.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of the Coalition to maintain a financial management system that provides for the following:

1. Accurate, current, and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
2. Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
3. Effective control over and accountability for all funds, property, and other assets. Example the Coalition shall adequately safeguard all such assets and assure they are used solely for authorized purposes.
4. Comparison of outlays with budget amounts for each award. Whenever possible, financial information shall be related to performance and unit cost data.
5. Procedures to minimize the time elapsing between the transfer of funds to the Coalition from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient.
6. Procedures for determining the reasonableness and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
7. Accounting records including cost accounting records that are supported by source documentation.