Girls Inc. of the Central Coast

Accounting Policy

1) Last updated 1/31/23- To be Updated

INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to the Girls Inc. of the Central Coast, which shall be referred to as “GICC” or "the Organization" throughout this manual.

Girls Inc. of the Central Coast is incorporated in the state of California and is exempt from federal income taxes under IRC Section 501(c)(3) as a nonprofit corporation.

Girls Inc. of the Central Coast’s mission is:
To inspire all girls to be strong, smart, and bold, to respect themselves and the world around them.

Girls Inc. of the Central Coast’s vision is:
Empower girls achieving success in a complex and diverse world.

This manual shall document the financial operations of the Organization. The purpose of this manual is to ensure that the accounting and financial functions of the Organization have formal direction, guidelines, and policies to safeguard assets and insure reasonable internal controls. The accounting and reporting policies of GICC conform to generally accepted accounting principles (GAAP), generally follow the recommendations of Financial Accounting Standards Board (FASB), and prevailing practices within the not-for-profit industry.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial report. In addition, these estimates may affect the reported amounts of revenue and expenditures during the reporting periods. Actual results may differ from those estimates.

The contents of this manual were approved as official policy of the Organization by the Board of Directors. All GICC staff are bound by the policies herein, and any deviation from established policy is prohibited.

GENERAL POLICIES

ACCOUNTING FUNCTION OVERVIEW

Organization

Three staff members have the primary responsibility to approve and execute the accounting activities and process financial information: Executive Director, Deputy Director and Office Manager.

The Board of Directors and specifically the officers (President, Vice President, Secretary and Treasurer) have responsibility for the financial and fiduciary stability of the organization.

TABLE OF CONTENTS

Subject: FRAUD

Effective Date: 1/28/2015	Version:

Scope

This policy applies to any fraud or suspected fraud involving employees, officers, or directors, as well as committee members, volunteers, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with Girls Inc. of the Central Coast. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with Girls Inc. of the Central Coast.

Policy

Management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation, or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Treasurer and the Chair of the Executive Committee, who will coordinate all investigations. Employees should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Mis-appropriation of funds, securities, supplies, equipment, or other assets of the organization for the benefit of an individual or other organization;
2. Any dishonest or fraudulent act;
3. Forgery or alteration of any document or account belonging to the organization;
4. Forgery or alteration of a check, bank draft, or any other financial document;
5. Impropriety in the handling or reporting of money or financial transactions;
6. Disclosing confidential and proprietary information to outside parties;
7. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to the organization. Exception: gifts less than $100 in value;
8. Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.
9. Any similar or related irregularity.

Investigation Responsibilities

The Executive Committee has the primary accountability for the investigation of all suspected fraudulent acts as defined in the policy. The Executive Committee may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Executive Committee will issue reports to appropriate designated personnel and, if appropriate, to the Board of Directors.

Any decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel, as will final dispositions of the case.

Confidentiality

The Executive Committee and the Executive Director treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This requirement is important to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect GICC from potential civil liability.

Authority for Investigation of Suspected Fraud

The Executive Committee, upon majority vote, will have:

1. Free and unrestricted access to all records and premises, whether owned or rented; and
2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigations.

Reporting Procedures

Great care will be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects dishonest or fraudulent activity will contact the Executive Director, the Treasurer, or the Chair of the Executive Committee immediately. The employee or other complainant may remain anonymous.

All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Executive Committee Chair or legal counsel.

No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", "the crime", "the fraud", "the forgery", "the misappropriation", or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution; and
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by legal counsel or the Executive Committee.

Subject: FINANCIAL SECURITY

Effective Date: 07/06/21	Version:

Accounting Department

The blank check stock shall be stored in a locked cabinet secured with a second bar lock.

Cash and checks shall be stored in a locked cabinet secured with a second bar lock.

The Office Manager and the Executive Director shall be the only individuals with access to the secured cabinets.

Access to Electronically Stored Accounting Data

It is the policy of GICC to utilize passwords to restrict access to accounting software and data including access to bank/investment accounts, collectively known as “the accounting systems”. The Executive Director and Office Manager will have passwords that allow access to the system.

Accounting personnel are expected to keep their passwords to the accounting systems secret and to change their passwords on a regular basis. Administration of passwords should be performed by a responsible individual independent of programming or daily accounting functions.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

All accounting data is recorded by the Office Manager weekly. The Executive Director has access to the data for report production and to ensure that data has been properly recorded. Any changes and/or corrections to existing data are to be provided to the Office Manager, who has sole responsibility for making those changes.

Storage of Back-Up Files

A electronic copy of data is maintained in a secure off-site protected environment location by the Office Manager. The backup files may also be stored in a secure location in the cloud. Access to back-up files shall be limited to individuals authorized by management.

Subject: **GENERAL LEDGER AND CHART OF ACCOUNTS**

Effective Date: 1/28/2015	Version:

The general ledger is defined as a group of accounts that supports the information presented in the major financial statements. The general ledger is used to accumulate all financial transactions 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, which consists of account titles and account numbers assigned to the titles. General ledger accounts accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense, and gain and loss account.

The 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

There are two types of accounts: real accounts and nominal accounts. Real accounts are asset, liability, and net asset accounts that appear on the statement of financial position. Nominal or temporary accounts are revenue and expense accounts and gain and loss accounts that appear on the statement of activities. Nominal accounts are closed annually and real accounts are permanent.

Distribution of Chart of Accounts

Designated staff with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be issued a current chart of accounts and revisions promptly.

Account Definitions

General Ledger

Category	Definition
Assets	
	Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions

or events. They 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.

Cash and Cash Equivalents includes cash and checking, savings, and money market deposit accounts. All highly liquid investments and certificates of deposit with an original maturity of three months or less when purchased are considered to be cash equivalents.

Investments are certificates of deposit with maturities greater than three months and debt and equity investments or mutual funds (e.g., securities). This category may also include investments of excess cash. Investments in securities are generally carried at fair market value. (See the **Investment Policy** for guideline concerning the type and maturity of investments.)

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 without the intention of disposing of them in the near future. Some examples are security deposits, real property and long-term investments.

Liabilities

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

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, credit card obligations, payroll liabilities, 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. Examples are the non-current portion of a mortgage loan and deferred revenue.

Net Assets

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

Revenues

Revenues are cash inflows or other enhancements of assets, or settlements of liabilities, from rendering services or other activities that constitute an organization's ongoing major or central operations. Revenues of GICC include contributions, grants, special events, fiscal sponsorship fees, and interest and investment income.

Expenses

Expenses are cash outflows or other consumption of assets or incurrences of liabilities from rendering services or carrying out other activities that constitute 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 a fixed asset or investment is sold or written off as worthless.

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 Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions over which the Board of Directors have discretionary control in carrying out the operations of GICC.

Net Assets with Donor Restrictions – Net assets subject to donor or grantor-imposed restrictions and for which the applicable restriction was not met as of the end of the current reporting period. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity.

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

Fiscal Year of Organization

The fiscal year begins on July 1 and ends on June 30. Any changes to the fiscal year must be ratified by majority vote of Board of Directors and a change to the bylaws.

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 non-cash 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.

The Executive Director shall authorize all journal entries not originating from subsidiary ledger.

Subject: POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

Effective Date: 1/28/2015	Version:

REVENUE

Revenue Recognition Policy

Funds are recognized in the General Ledger as revenue as they are pledged or committed.

CONTRIBUTIONS RECEIVED

Accounting for Contributions

Contribution income shall be recognized in the period in which it is received. Contribution income shall be classified as increases in net assets with or without donor restrictions based on the existence or absence of such restrictions.

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

Receipts and Disclosures

To comply with Internal Revenue Code and rules, the following guidelines with respect to contributions received shall be adhered to.

All separate contributions received shall require a receipt provided to the donor. All receipts prepared shall include the following information:

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

Classification of Income and Net Assets

All income received is classified as "without donor restrictions", with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which have restrictions as to time or events specified by the grantors.

2. Special endowments received from donors requesting that these funds be permanently

restricted for specific purposes.

3. Income received on behalf of fiscal management agreements.

As with all Donor Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), it will be reclassified from "Net Assets with Donor Restrictions" to "Net Assets Without Donor Restrictions" in the Statement of Financial Position and Statement of Activities.

Occasionally, the Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as unrestricted. To appropriately identify these funds in financial statements they shall be labeled Board-Designated funds and shall be reported as a separate component of unrestricted net assets.

CASH RECEIPTS

Overview

Cash (including checks payable to the organization) is a liquid asset, which requires strong internal controls in this area.

In-House Cash Receipts Processing

Cash receipts are centralized to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.

All checks are recorded and initialed on the daily register of checks when received by the designated staff person.

Grant Income: The Executive Director is responsible for properly designating the program and income categories for the grant and preparing the formal acknowledgement to the grantor.

Special Events Income (Sponsorships/Donations): The checks are recorded in the file of the event with all accompanying personal information.

Cash: The designated staff person counts the cash in the presence of the person delivering the cash. Both the designated staff person and the individual delivering the cash sign a numbered receipt for the counted amount. A copy of the receipt is given to the individual delivering the cash and a copy is kept for the official records.

Deposit Process:

1. The Office Manager prepares a deposit slip that lists the individual check amounts;
2. Photocopy of the deposit slip and all checks that are included on that deposit slip are maintained for permanent record;
3. Deposits are delivered to the bank;
4. The staff person who originally logged the check verifies with his/her initials on the daily

check receipt log that the check has been deposited;
5. The deposit record is given to the bookkeeper/Office Manager to record; and
6. The photocopy is filed with the deposit records for that bank account.

Donor Credit Cards: donors requesting the debit of their credit card provide the credit card number, expiration date, and signature.

- The Office Manager is responsible for processing/ charging the credit card through third-party credit card merchants.
- A confirmation received is printed and kept by the Office Manager.
- A written acknowledgement and a copy of the receipt are sent to the donor.
- Once acknowledgements are completed or at the end of a Pledge all the information of the credit cards are shredded by the Office Manager in double custody.

Endorsement of Checks

All checks received are immediately restricted by endorsement of the individual preparing the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only;
2. Girls Inc. of the Central Coast;
3. Bank name; and
4. Bank account number of Girls Inc. of the Central Coast.

Timeliness of Bank Deposits

Bank deposits will be made on a daily basis, unless the total amount received for deposit is less than five hundred dollars ($500). In no event will deposits be made less frequently than once a week.

Reconciliation of Deposits

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

Subject: POLICIES ASSOCIATED WITH EXPENDITURES AND REIMBURSEMENTS

Effective Date: 12/14/2020	Version:

PURCHASING POLICIES AND PROCEDURES

Overview

The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

Responsibility for Purchasing

The Executive Director has approval authority over all purchases and contractual commitments included in the approved annual budget. The Executive Committee shall make the final determination on proposed purchases not included in the approved annual budget.

Authorizations and Purchasing Limits

The Executive Director and the Program Director are authorized to make credit card purchases not to exceed $10,000. Receipts for all credit card purchases are reconciled with the monthly statements.

The Program Director may make direct purchases as approved in the programs annual budget. The Executive Director must approve all purchases in excess of the amounts authorized in the annual budget.

All new contracts (and renewals) in excess of $2,500, not approved as part of the annual budget, must be reviewed and approved by the Executive Committee.

Required Solicitation of Quotations from Vendors

Purchases in excess of $5,000 for labor, equipment, supplies, and services may be made only after receiving, whenever possible, oral quotations from at least three (3) vendors.

Expenditures exceeding $10,000 for labor, equipment, supplies, and services may be made only after receiving, whenever possible, written quotations from at least three (3) vendors.

Special Purchasing Conditions

Emergencies:
Quotations will not be required for emergency purchases where the health, welfare, and safety of staff and protection of Organization property is involved.

Single Distributor/Source:
Quotations are not required where there is only one (1) distributor for merchandise needed and no other product meets the stated needs or specifications,

Conflicts of Interest Prohibited

No member of the Board of Directors, employees, officers, committee member, or agents, shall derive any personal profit or gain, directly or indirectly, by reason of their participation. Each individual shall disclose to the Board of Directors any personal interest which they may have in any matter pending and shall refrain from participation in any decision on such matter.

Unless disclosed and approved by the Board of Directors, officers, employees, committee members, or agents shall not participate in the selection, award, contract, or transaction with another party where any of the following has a financial interest in the transaction:

1. The Board member, officer, employee, committee member, or agent;
2. Any member of their immediate family;
3. A partner; and
4. An organization in which any of the above is an officer, director, or employee.

Prohibition of Loans

Loans to Board Members, employees, officers, or agents under all circumstances are prohibited.

POLITICAL ACTIVITIES

Prohibited Expenditures

Expenditure for political activities is prohibited. For purposes of this policy, political activities 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 included in periodicals) that support or oppose candidates for public office; and
5. Expenditures for the placement of political advertisements in periodicals.

Endorsement of Candidates
It is the policy of GICC not to endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of GICC, when these individuals are acting on behalf of, or are otherwise representing 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 GICC. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on behalf of the Organization), these individuals must at all times be aware that Organization resources cannot at any time be utilized in support of political activities.

ACCOUNTS PAYABLE MANAGEMENT

A well-managed accounts payable function assists in maintaining good cost control and efficient business practices.

An employee independent of ordering and receiving of goods and services performs the recording of assets or expenses and the related liability. The amounts recorded are based on the vendor invoice for the related goods or services. 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; and
3. Vendor credit terms and operating cash are managed for maximum benefits.

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

Original invoices with appropriate supporting documentation are required for payment. Invoice copies, once verified as unpaid by researching the vendor records may be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the 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.

Establishment of Control

Invoices are processed for payment upon receipt.

Preparation of a Request for Payment

Prior to any account payable being submitted for payment, the following documents should be attached:

1. Approved vendor invoice;
2. Packing slip (where appropriate);

3. Approved employee expense report;
4. Receiving report (or other indication of receipt of merchandise and authorization of acceptance); and
5. Any other supporting documentation deemed appropriated

<u>Processing of Payment Requests</u>

The designated staff person shall apply the following procedures to each Request for Payment:

1. Check the mathematical accuracy of the vendor invoice;
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report;
3. Document the program department and budget line item;
4. Obtain the review and approval of the department director associated with the goods or services purchased

Approvals by designated staff indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, agreement with program department and budget line item designation, and agreement to pay vendor in full.

<u>Payment Discounts</u>

Payments are to be scheduled to take advantage of all vendor discounts.

<u>Employee Expense Reports</u>

Reimbursements for travel expenses, business meals, or other approved costs will be made upon the receipt of a properly approved and completed Request for Payment form and appropriate receipts. All employee expense reports must be approved by the Executive Director; expense reports of the Executive Director must be approved by the Chair of the Executive Committee or the Treasurer. Expense reports will be processed for payment in the next payment cycle. Expenses older than three months will not be reimbursed unless approved by Executive Director or, in the case of the Executive Director, the Chair of the Executive Committee.

<u>Reconciliation of A/P Subsidiary Ledger to General Ledger</u>

At the end of each monthly accounting period, the total amount due to vendors 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 Executive Director.

TRAVEL AND BUSINESS ENTERTAINMENT

<u>Travel Advances</u>

Wherever possible travel will be paid in advance with the organization credit card. Travel advances are limited to $100 for a documented extraordinary need for additional funds. Travel advances are to be expended only in accordance with the travel policies as explained later in this section.

Employees with outstanding travel advances are required to submit an expense report within 30 days of returning from travel. Outstanding advances of more than 30 days will be deducted from the employee's next paycheck. Additional travel advances will not be issued to an employee with outstanding balance due from previous business trips.

Employee and Director Business Travel

Business trips will be approved in advance by the Executive Director, or in the case of the Executive Director or member of Board of Directors, by the Executive Committee. At the conclusion of a business trip, a Request for Payment form is to be completed in accordance with the following policies:

- Identify each incurred business expense;
- With the exception of tips and reimbursed mileage, all business expenses must be supported with invoices/receipts;
- All travel arrangements will be made by staff, under the direction of the Executive Director;
- Mileage will be reimbursed at the standard federal rates currently in effect, as published each year by the IRS;
- Program department and budget line items must be identified for all expenditures;
- For all meals and other business entertainment, the following must be clearly identified:
  a) names, titles, organizations, and business relationships of all persons entertained,
  b) business purpose of the entertainment (topics discussed, etc.);
- All payment requests must be signed and dated by the employee or Director;
- All payment requests must be approved by the Executive Director; and
- Only one expense report form should be prepared for each trip and shall include original receipts for all expenses.

An employee will be reimbursed for expenses meeting the preceding criteria. If the expenses result in a balance due, the employee shall attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction.

Reasonableness of Travel Costs

Travelers shall be reimbursed for those business-related expenses that are reasonably incurred. Accordingly, the following guidelines shall apply:

1. Travelers shall stay in standard rooms;
2. When utilizing rental cars, travelers are to rent midsize or smaller vehicles; share rental cars whenever possible;
3. Travel expenses are limited to the federal per diem rates.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class; first class air travel shall not be reimbursed unless there is a documented and approved reason;
2. Memberships in airline flight clubs is not reimbursable;
3. Cost of flight insurance is not reimbursable;
4. Cost of upgrade certificates is not reimbursable;
5. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate reasons (such as changed meeting dates, illness, family emergency, etc.);
6. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes;
7. Charges for excess baggage weight will not be reimbursed.

Spouse/Partner Travel

Personal expenses associated with family member accompanying an employee or board member on business travel will not be reimbursed. The cost of a shared hotel room need not be allocated between employee/director and family member for purposes of this policy.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

Printing of vendor and expense reimbursement checks are to be prepared weekly. On-line payments are allowable as appropriate. Staff independent of those who initiate or approve expenditures, as well as those who are authorized check signers shall prepare checks and online payments.

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 described in this manual;
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, except when a “hand-drawn” check is issued under emergency circumstances only;
7. Checks shall not be made payable to “bearer” or “cash”;
8. Checks shall never be signed prior to being prepared; and
9. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Check Signing

Checks of more than $5,000 require two signatures, one of whom should be the Executive Director and one of whom should be a member of the Executive Committee.

Check signers should examine all original supporting 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.

Mailing of Checks

After signature, checks are returned to the designated staff to be mailed immediately. Individuals who authorize expenditures should not mail checks.

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” utilizing the current date. 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 the Office Manager or Executive Director. A journal entry is made to record the stop payment and any related bank fees.

Record-Keeping Associated with Independent Contractors

Vendors are to provide a completed W-9 form. Payments to vendors shall be accumulated over the course of a calendar year. An IRS Form 1099 will be prepared in accordance with IRS policy.

Subject: PAYROLL AND RELATED POLICIES

Effective Date: 1/31/23	Version:

It is the policy of GICC to consider current Federal and State law and regulations in making determinations about the classification of workers as independent contractors or employees.

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 six hundred dollars ($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 GICC personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

GICC operates on a semi-monthly payroll. For all GICC employees, a personnel file is established and maintained by the Executive Director with current documentation, as described throughout this section and as more fully described in the Organization's Personnel Manual.

Changes in Payroll Data

It is the policy of GICC that all of the following changes in payroll data are to be authorized in writing:

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

New hires, terminations, and changes in salaries or pay rates will be authorized in writing by the Executive Director.

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

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

Payroll Taxes

The Office Manager is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. However, the Organization may utilize the services of an outside payroll service center for the processing of payroll, as determined by the Executive Director and the Office Manager.

Preparation of Timesheets

Each GICC employee must submit to the Office Manager a signed and approved timesheet no later than the third day 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 in ink;
3. Errors will be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initial next to the change (i.e. employees will not use "white out" or correction tape to make changes to their timesheets);
4. Employees shall classify hours worked based on the nature of the work performed; Compensated absences should be clearly identified as such;
5. The hours per day shall be allocated daily among the various programs that the employee worked on. This allocation of time is extremely important as it will serve as the basis for allocation of other costs and expenses (e.g. labor allocation).

After preparation, timesheets shall be approved by the employee's Supervisor or their designees, prior to submission to the Office Manager. Corrections identified by an employee's supervisor will be authorized by the employee by placing the employee's initials next to the change.

Processing of Timesheets

Processing of timesheets is performed by the Office Manager, who checks all timesheets for mathematical accuracy, then inputs all timesheets into the payroll system or by calling/transmitting the payroll to the payroll service provider.

The Office Manager may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not re-submitted in time to the Office Manager the employee may receive an adjustment on the next payroll period.

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 return of payroll reports and/or checks from the payroll service center, the Executive Director reviews payroll prior to its distribution to employees. Executive Director shall sign the payroll register, indicating approval of the payroll. The use of ACH electronic deposits to employees' bank accounts is highly encouraged rather than physical checks.

Distribution of Payroll

Payroll checks (or check stubs for electronic deposits) shall be distributed by individuals who do not approve time sheets, are not responsible for hiring and firing, and do not control the preparation of payroll.

Rotation of Duties

Periodically during the year, the Executive Director will distribute the payroll to ensure internal control.

Subject: CASH AND CASH MANAGEMENT

Effective Date: 07/06/21	Version: 4/16/19

Cash Accounts

Establishing a New Bank/Investment Account:

The Executive Director will work with the Finance Committee to identify potential new financial institutions to carry out the banking and investment needs of the organization. Once a financial institution has been identified through this review process, the Finance Committee will forward a recommendation for approval to the Executive Committee and the full Board of Directors for final approval.

Authorized Bank Account Signatories:

It is the policy of GICC that any two (2) of the following Officers of the Corporation are authorized to open bank/investment accounts in the name of the Corporation:

Chair of the Board
President
Secretary
Treasurer
Executive Director

At a minimum, the following individuals are authorized to signers on all of the Organization's bank accounts:

Chair of the Board
President
Treasurer
Secretary
Executive Director

Bank Account Inquiries

The Office Manager and Bookkeeper, who are NOT authorized bank signers, are permitted to perform the following specific banking transactions:

Stop payment requests
Intra-bank transfers
Account inquiries
Obtaining copies of checks and/or bank statements

<u>Primary Checking Account (Operating Account):</u>

The Primary Checking Account, referred to as the "Operating Account", is where all initial receipt and disbursement activity is documented. The Operating Account balance will retain sufficient "Operating Cash", as defined below, for daily cash transactions of the Organization. Cash balances in excess of budgeted operating needs will be considered "Excess Available Funds" as defined below.

"**Operating Cash**" is the cash required to be available to fund the daily budgeted expenses of the Organization. Operating cash may be held in the Operating Account and/or in the Investment Account as interest-bearing money market funds and/or CDs held for no more than six months.

The "Target Allocation of Operating Cash" will be equal to a percentage of the adopted operating expense budget as adjusted periodically by the Board of Directors; in no event should this amount be less than forty percent (40%) of the annual operating budget. The target allocation should cover approximately six months of operating expenses. This allocation target will be discussed as a part of the annual budget review and adoption process to assure there will be sufficient cash for daily operating needs.

"**Excess Available Funds**" are considered cash balances in excess of the Operating Cash needed for daily budgeted operations. "Excess Available Funds" that accumulate in the Operating Account may be transferred to the primary investment account and be subject to the "Investment Policy".

Bank Deposit Concentration

GICC's policy is to reduce the organization's exposure to bank failure to an acceptable level of risk. This goal may be accomplished using a combination of the following factors.

1. Limiting account balances at any one institution to no more than the current level of Federal deposit insurance (currently two hundred fifty thousand dollars ($250,000).
2. Maintaining bank accounts among several financial institutions.
3. Monitoring the capital adequacy of the institutions with whom GICC conducts business to ensure that the institution is a "well capitalized" institution as defined by the Federal Banking Regulators.

Equally important, it is GICC's policy to house the organization's bank accounts at independent, locally owned and Federally insured financial institutions who are an integral part of the local communities within which the Organization operates.

GICC's policy is to house the organization's bank accounts which may exceed current Federal insurance limits among a manageable variety of financial institutions, all of whom must be a "well capitalized" institution as defined by Federal Banking Regulators.

The Finance Committee is responsible for periodically monitoring the capital adequacy of GICC's financial institutions and ensuring that the organization's bank accounts are maintained at "well capitalized" institutions

Bank Reconciliations

As monthly bank accounts statements are received each month, the Office Manager will review for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Annually, the Finance Committee Chair will review the bank reconciliations for outstanding reconciling items. Unusual or unexplained items shall be reported immediately to the Executive Director.

Reconciliation between the bank balance and general ledger balance is prepared by the Office Manager or Bookkeeper. All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed and initialed by the Executive Director monthly.

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

Cash Flow Management

The Executive Director monitors cash flow needs to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Stale Check

All checks shall be imprinted with "void after 90 days."

Checks of $500 or less that are more than 90 days old that have not cleared the bank are to written-off, except for payroll checks. It is the policy of GICC to remit uncashed payroll checks to the State Treasurer of California as Unclaimed Property in accordance with current state law and regulations. Contact will be made with the payee to resolve the issue with uncashed checks that are more than 90 days and that exceed $500.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same expense or asset account that was debited when the check was written, or the expenditure incurred. Stale checks written off in subsequent fiscal years to the year in which the check was written, the credit shall be to miscellaneous income.

Subject: PREPAID EXPENSES

Effective Date: 1/28/2015	Version:

Accounting Treatment

Payments of expenses that have a time-sensitive future benefit shall be treated as prepaid expenses and amortized over the corresponding time period. For purposes of this policy, payments of less than $2,500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

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

Procedures

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.

A schedule of all prepaid expenses shall be maintained. 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.

Subject: FIXED ASSET MANAGEMENT

Effective Date: 1/28/2015	Version:

Capitalization Policy

Physical assets acquired with unit costs in excess of $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

Contributed assets with fair market values in excess of $500 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, with an offsetting entry to income.

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 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; and
6. Estimated useful life.

A periodic physical inventory of all assets capitalized will be prepared if gross fixed assets exceed $25,000. This physical inventory shall be reconciled to the property log and adjustments made as necessary. The Executive Director will approve all adjustments resulting from this reconciliation.

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.

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	2 -3 years
Computer software	1 - 3 years
Leased assets	life of lease
Leasehold Improvements	remaining lease term

For accounting and interim financial reporting purposes, depreciation expense shall be recorded semi-annually.

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, the fixed asset listing and property log are adjusted. If payment is received for the asset, then the difference between the payment received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the payment received is less than the book value and a gain if the payment received is more than the book value.

Write-Offs of Fixed Assets

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

Subject: LEASE

Effective Date: 1/28/2015	Version:

Classification of Leases

Leases shall be classified as capital or operating leases.

A lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

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

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

Accounting for Leases

Operating leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred.

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

Subject: ACCRUED LIABILITIES

Effective Date: 7/06/21	Version:

Identification of Liabilities

The Office Manager shall establish a list of commonly incurred expenses that shall be accrued at the end of an accounting period. Some of the expenses that shall be accrued at the end of an accounting period are:

1. Salaries and wages;
2. Payroll taxes;
3. Vacation pay;
4. Rent; and
5. Interest on notes payable.

Accrued Leave

Personnel policies of GICC permit employees to carry forward up to 1.5 times their annual vacation allowance from year to year. Such vacation is payable to an employee upon termination.

Accordingly, it shall be the policy of GICC to record a liability for accrued leave to which an employee is entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to the maximum individual amount, multiplied by each employee's current hourly pay rate, current payroll tax rate and employers current retirement contribution rate.

Bonus or Incentive Compensation Plans

From time to time, GICC's Board of Directors may adopt various Bonus or Incentive Compensation plans for its employees or management based upon set goals and objectives. When such plans are adopted, it is the Organization's policy to periodically accrue a liability based on the criteria selected and the performance goals achieved.

403(b) Retirement Plan

GICC has adopted a 403(b) Retirement Plan which covers all eligible employees age 21 and over. The 403(b) contribution is the product of employee salaries multiplied by an annual fringe benefit factor. The Board of Directors determines the annual fringe benefit factor at the beginning of the year and contributions are paid quarterly.

Accordingly, it shall be the policy of GICC to record a liability for the contribution to which employees are entitled at the end of each monthly accounting period.

Subject: NOTES PAYABLE

Effective Date: 1/28/2015	Version:

Record-Keeping

A schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements shall be maintained. 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; and
10. Contact person at lender

Accounting and Classification

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

Demand notes and 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 and resolved.

Non-Interest-Bearing Notes Payable

As a charitable organization, 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 may be received. In such cases, unpaid interest shall be recorded as income.
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.

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 the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as 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.

Subject: POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

Effective Date: 07/06/21	Version:

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 to assist 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 annual financial statements 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 (with donor restrictions or without donor restrictions);

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 both a natural, or objective, format and by function (i.e. which program or supporting service was served).

The above four statements are required under Generally Accepted Accounting Principles (GAAP) and, together with related footnotes, comprise the annual compiled, reviewed or audited financial statements of GICC. The financial statements prepared by the independent Certified Public Accountant may be distributed to various governmental agencies, funding sources and other third parties.

Frequency of Preparation

The objective of the accounting function is to prepare accurate financial statements in accordance with generally accepted accounting principles. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements shall be produced on a monthly basis, by the 25th day of each month based on cash and distributed to the Board and used for managerial purposes. The internal statements may be provided to third parties but they are not a complete set of financial statements in accordance with GAAP. The standard set of financial statements shall include:

1. Statement of Financial position (Balance Sheet)
2. Statement of Activities (Financial Summary) which includes a comparison of actual year-to-date revenues and expenses with year-to-date amounts budgeted.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Executive Director prior to presentation to the Board.

The Executive Director may prepare and include an additional supplemental schedule to explain material variances to the approved budget.

Annual Financial Statements

A formal presentation of the Organization's annual financial statements shall be provided by the Independent Certified Public Accountant (CPA) to the Board of Directors after review and approval of the Executive Committee.

Under the California Non-Profit Integrity Act of 2004, an audited financial statement is not required until the gross revenues of the Organization are greater than or equal to $2 million. It is the policy of GICC to have a CPA prepare at least a compiled or reviewed financial statement for presentation to the Board on an annual basis.

See separate policies regarding the annual financial statements, including required audits, under "Financial Management Policies."

GOVERNMENT RETURNS

Overview

To legitimately conduct business, GICC must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions.

Filing of Returns

It is the policy of GICC to become familiar with the obligation in each jurisdiction and to comply with all known filing requirements. The Board of Directors and the Executive Director will be responsible for identifying all filing requirements and assuring that GICC is in compliance with all such requirements.

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

Filings made by GICC include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exempt organizations, filed with the IRS. Form 990 for GICC is due on the fifteenth day of the fifth month following year-end (November 15). A request for six month automatic extension of time to file Form 990 may be filed using Form 2758.

2. **California Form RRF-1** - Annual registration/renewal report to the Attorney General of California. Effective 2001, forms are due four months and 15 days after the end of the fiscal year end (November 15) unless the IRS has granted an extension.

3. **Form 5500** - Annual return for GICC's employee benefit plans. Form 5500, filed with the IRS, is due July 31, but a request for extension of time to file may be filed.

4. **Personal Property Tax Return** - Filed with each County in which we have offices to report personal property and officers of the corporation. All personal property tax returns are due April 1.

5. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on a cash basis of reporting. Due to employees and independent contractors by January 31.

6. **Form 940** - Annual unemployment tax return filed with the IRS, for all employers, due January 31.

7. **Form 941** (Federal) and DE-3 (State) - Quarterly payroll tax returns filed with the IRS and the California Employment Development Department to report wages paid to employees and payroll taxes. Both forms are 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.

8. **Statement of Domestic Non-Profit Corporation** - Biennial return (due every other year) listing Corporate Officers and the agent for service of process. The return is due by March 31 of every odd numbered year.

9. **Annual Claim for Welfare Exemption** - Annual return filed with the Monterey County Tax Assessor to exempt facilities from property taxes. Due by February 15 of each year.

GICC's fiscal and tax year-end is June 30. All annual tax and information returns of GICC (e.g. Form 990) are filed on the accrual basis of reporting.

The Organization's Annual Financial Statements (compiled, reviewed, or audited), the Forms 990 and California Form RRF-1are prepared by the Independent Certified Public Accountant and approved by the Board of Directors.

The external Payroll Service prepares Federal and all applicable state payroll tax returns and assures compliance with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each employee.

Public Access to Information Returns

Federal regulations require the following forms be "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors that is attached to the Form 990, but including the accompanying Schedule A;
2. Original application for recognition of its tax-exempt status (Form 1023 or Form 1024), as filed with IRS, and all accompanying schedules and attachments; and
3. Requests will be responded to within 48 business hours.

Subject: FINANCIAL MANAGEMENT POLICIES

Effective Date: 07/06/21	Version:

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 and Board commitment to a plan for present and future activities that directs the efficient and prudent utilization of financial and human resources. It provides an opportunity to examine the composition and viability of programs and activities in conjunction with the available resources.

Preparation and Adoption

It is the policy of GICC to prepare an annual budget on the cash basis of accounting, which is used for internal purposes. The Executive Director shall gather proposed budget information and prepare the first draft of the budget. The draft budget is presented to the Finance Committee for discussion, input, and initial approval.

The Finance Committee approved draft is then submitted through the Executive Committee and then to the full Board of Directors in May for discussion and input. The Board of Directors shall adopt the final budget in June.

Monitoring Performance

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

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with the adopted budget shall be prepared and presented to the Finance Committee and the Board of Directors by the Executive Director

Budget Modifications

Reclassifications of budgeted expense amounts of less than $1,000 may be made by the Executive Director. Reclassifications in excess of this thresholds and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Board of Directors

Subject: FUNCTIONAL EXPENSE ALLOCATIONS

Effective Date: 1/28/2015	Version:

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, GICC strives to determine the actual costs of carrying out each of its program services and supporting activities. In this regard, it is the policy of GICC 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.

Direct Charging of Costs

Certain internal costs shall be directly charged to the appropriate function based upon underlying documentation. The following costs shall be directly charged based on the budgeted amount or percentages for each department for each fiscal year. The percentages may change from year to year depending on the number of staff, program participants, anticipated usage, etc.

Cost	Basis For Charge
Salaries	
Executive Director	% of time spent on a particular program
Office Manager	% of time spent on a particular program
Telephone	% based on size of staff
Photocopying	% based on size of staff, # of participants
Supplies	Actual and % based on size of staff/program budget
Bookkeeper/Payroll service	% based on size of staff, anticipated # of checks
Insurance	% based on size of staff, # of participants, program budget
Occupancy	% based on size of staff

With the exception of salaries, which are recorded with each payroll cycle, all other costs identified above shall be allocated and recorded to the appropriate functions as they occur.

Subject: ANNUAL FINANCIAL STATEMENT REVIEW	

Effective Date: 1/31 /2023	Version:

Under the California Non-Profit Integrity Act of 2004, an audited financial statement is not required until the gross revenues of the Organization are greater than or equal to $2 million. It is the policy of GICC to have an Independent Certified Public Accountant prepare at least a compiled or reviewed financial statement for presentation to the Board on an annual basis. Periodically (e.g. every three or four years), it is recommended that the Board engage an independent Certified Public Accountant to perform a certified audit to ensure that the Organization's internal controls are functioning properly. Policies and Procedures for a Certified Audit are described in the section entitled "Certified Audit".

Role of the Independent Certified Public Accountant (CPA)

An independent CPA firm shall conduct the annual review of the financial statements. The CPA firm will communicate directly with the Finance Committee upon the completion of their review. Members of the Finance Committee are authorized to initiate communication directly with the CPA firm.

How Often to Review the Selection of the Independent CPA

A review of the selection of the organization's CPA shall be conducted in the following circumstances:

1. Dissatisfaction with the service of the current firm;
2. A need for fresh perspective and new ideas;
3. Every 3 years review the need to ensure competitive pricing and a high quality of service (this is not a requirement to change auditors every three years; simply to re-evaluate the selection).

Selecting an Independent CPA

The following factors shall be considered in selecting an accounting firm:

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

If proposals are to be solicited from independent CPA firms, the following information shall be included:

1. Period of services required;

2. Type of contract to be awarded (fixed fee, cost basis, etc.);
3. Complete description of the services requested (compilation, review, management letter, tax returns, etc.);
4. Identification of meetings requiring their attendance, such as staff or Board of Directors meetings;
5. Organizational chart;
6. Other information considered appropriate; and
7. Due date of proposals.

After receipt of proposals, the Finance Committee shall review proposals and interview prospective firms as appropriate and shall make a recommendation to the Board of Directors.

Preparation for the Annual Review

Staff shall prepare documents and assist the independent CPA firm in order to ensure a smooth and timely review of its financial statements. Schedules, documents, and information requested by the auditors [reviewers] are to be provided in a timely manner.

Finance Committee Responsibilities

The Finance Committee's responsibilities include, but shall not be limited to, the following:

1. Appointment of, and communication with, the independent accountant;
2. Review and approval of the annual, reviewed financial statements;
3. Discussion of internal control matters with the independent accountant;
4. Responding to any reported instances of fraud;
5. Conducting a quarterly analysis of the financial statements;
6. In conjunction with the Executive Director, review annual operating budget for recommendation to the Board of Directors; and
7. Making policy and other recommendations to the Board of Directors regarding financial issues identified by the review.

The Finance Committee is entitled to examine all documents within the control of staff.

CERTIFIED AUDIT

Under the California Non-Profit Integrity Act of 2004, charitable corporations with gross revenues of $2 million or more must prepare annual financial statements audited by an independent certified public accountant (CPA). *If the accounting firm and CPA performing the audit also provides non-audit services to the nonprofit, the accounting firm and CPA must follow the independence standards in the Yellow Book issued by the U.S. Comptroller General. The statements must use generally accepted accounting principles. The independent CPA must follow generally accepted auditing standards. The audited financial statements must be made available for inspection by the Attorney General and the public no later than nine months after the close of the fiscal year covered by the financial statement.* [1]

Periodically (e.g. every three or four years), it is recommended that the Board engage an independent CPA firm to perform a certified audit to ensure that the Organization's internal controls are functioning properly. Only when the Board determines that a certified audit will be performed, the procedures outlined in this section will apply.

Audit Committee

Requirements for an audit committee apply only to charitable corporations that must register and file reports with the California Attorney General, whenever such organizations accrue $2 million or more in gross revenue in any fiscal year. The $2 million-threshold excludes grants received from governmental entities, if the nonprofit must provide an accounting of how it uses the grant funds.

Governing boards must appoint an audit committee. The audit committee may include persons who are not members of the governing board.

The audit committee cannot include staff members, the president or chief executive officer, the treasurer or chief financial officer of the organization. If an organization has a finance committee, members of that committee may serve on the audit committee, but cannot comprise 50 percent or more of the audit committee. The chairperson of the audit committee may not be a member of the finance committee.

The audit committee, under the governing board's supervision, is responsible for making recommendations to the board on the hiring and firing of independent certified public accountants (CPAs). The audit committee can negotiate the independent CPA's compensation, on behalf of the governing board. [2]

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[1] California Government Code section 12586(e)(1)

[2] California Government Code section 12586(e)(2)

Role of the Independent Certified Public Accountant (CPA)

An independent certified public accounting (CPA) firm shall conduct the certified audit of the financial statements. The CPA firm will communicate directly with the Audit Committee upon the completion of their audit. Members of the Audit Committee are authorized to initiate communication directly with the CPA firm.

Selecting an Independent CPA

The following factors shall be considered in selecting an independent CPA firm:

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

If proposals are to be solicited from independent CPA firms, the following information shall be included:

1. Period of services required;
2. Type of contract to be awarded (fixed fee, cost basis, etc.);
3. Complete description of the services requested (audit, management letter, tax returns, etc.);
4. Identification of meetings requiring their attendance, such as staff or Board of Directors meetings;
5. Organizational chart;
6. Other information considered appropriate; and
7. Due date of proposals.

After receipt of proposals, the Audit Committee shall review proposals and interview prospective firms as appropriate and shall make a recommendation to the Board of Directors.

Role of the Independent CPA Firm

An independent CPA firm shall conduct the audit of the financial statements and issue a report thereon. The independent CPA firm will communicate directly with the Audit Committee upon the completion of their review. Members of the Audit Committee are authorized to initiate communication directly with the independent CPA firm.

Preparation for the Certified Audit

Staff shall prepare documents and assist the independent CPA firm in order to ensure a smooth and timely audit of its financial statements. Schedules, documents, and information requested by the independent CPA firm are to be provided in a timely manner.

Audit Committee Responsibilities

The Audit Committee's responsibilities include, but shall not be limited to, the following:

1. Appointment of, and communication with, the independent CPA firm;
2. Review and approval of the certified audit and the accompanying statements and disclosures;
3. Discussion of internal control matters with the independent CPA firm;
4. Responding to any reported instances of fraud; and
5. Making policy and other recommendations to the Board of Directors regarding financial issues identified by the certified audit.

The Audit Committee is entitled to examine all documents within the control of staff.

Subject: RECORD RETENTION

Effective Date: 8/1/18	Supersedes: 1/28/15

RECORD RETENTION

Policy

Records are to be retained as required by law and destroyed them when appropriate. The destruction of records must be approved by the Executive Director, and logged into Destroyed Record Log. The formal records retention policy is as follows:

Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Independent Audit or Review reports	Permanently
Bank reconciliations	2 Years
Bank Statements	3 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years
Contracts, mortgages, notes and leases:	
Expired	7 Years
Still in Effect	Permanently
Correspondence:	
General	2 Years
Legal and important matters only	Permanently
Routine with customers and/or vendors	2 Years
Deeds, mortgages and bills of sales	Permanently
Depreciation schedules	7 Years after expiration
Duplicate deposit slips	2 Years
Employment applications	3 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Internal	3 years
Garnishments	7 Years
General ledgers/year end trial balance	10 Years
Insurance policies (expired)	3 Years
Insurance records (policies, claims, etc.)	3 Years after expiration
Internal audit reports	3 Years
Internal reports	3 Years
Invoices (to customers, from vendors)	7 Years
Minute books of directors, bylaws and charters	Permanently

Notes receivable ledgers and schedules	7 Years
Participant Records (applications)	5 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Petty cash vouchers	3 Years
Physical inventory tags	3 Years
Payment Request forms	7 Years
Property Records	Permanently
Retirement and Pension Records	7 Years
Rent Payment Records	7 Years
Requisitions	1 Year
Subsidiary ledgers	7 Years
Tax returns	Permanently
Worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Voucher register and schedules	7 Years
Withholding tax statements	7 Years

Subject: INSURANCE

Effective Date: TBD	Version:

INSURANCE

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package which will ensure the viability and continued operations of GICC.

It is the policy of GICC to maintain adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery and other items of value.

The Executive Director and Finance Committee are responsible for annually reviewing the types of insurance coverage, policy limits, and premiums.

Coverage Guidelines

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

Type of Coverage	Amount of Coverage
General Liability	
General Aggregate	$2,000,000
Personal Injury	$1,000,000
Each Occurrence	$1,000,000
Fire Damage	$100,000
Medical expenses	$5,000
Key Person Life Insurance for the Executive Director	$Approximately 2-3 times annual salary
Property Insurance (includes theft)	
Premises and Equipment	Amount of fixed assets at each location, with a minimum of $10,000
Business Interruption	Minimum $60,000
Electronic Data Processing Equipment	$75,000 for server location, with a $250 deductible
Equipment in Transit	$4,600, with a $250 deductible
Media/Data Reproduction	$30,000, with a $250 deductible
Media/Data in Transit	$2,500, with a $250 deductible
Extra Expense	$10,000

Employee dishonesty/bonding	$160,000 for all employees, with a $500 deductible
Directors and Officers	$1,000,000 (with an appropriate deductible level)
Error and Omissions	$1,000,000
Workers' Compensation	The greater of amount required by law or:
Each accident	$1,000,000
Disease - Policy Limit	$1,000,000
Disease- Each Employee	$1,000,000

<u>Insurance Definitions</u>

<u>Workers' Compensation and Employer's Liability</u>
Contractors are required to comply with applicable Federal and State workers' compensation and occupational disease statutes. If occupation diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy except when contract operations are so commingled that it would not be practical to require this coverage.

<u>Fidelity Bond</u>
For all personnel handling cash, preparing or signing checks, GICC shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the organization will determine the dollar limit of this coverage.

<u>Comprehensive Liability</u>
This type of coverage may include directors, officers and employee general liability insurance, errors and omissions, buildings, contents, computers, fine arts, boilers and machinery.

Subject: CREDIT CARDS

Effective Date: TBD	Version:

CREDIT CARDS

It is the policy of GICC to issue credit cards to the following individuals to facilitate the transactions for the Organization's benefit:

- Executive Director
- Deputy Director of Programs

To comply with Internal Revenue Service guidelines, individuals incurring credit card charges must document and identify:

a. The business purpose of the charge (identify specific items purchased and their purpose)

b. Names, titles, organizations, and business relationships of all persons entertained and the business purpose of the entertainment (topics discussed, etc.)

To satisfy this documentation requirement, charge card receipts, documenting the above information, should accompany each charge card statement submitted for payment.

Lost credit cards should be immediately reported to the bank by the card holder for cancellation and re-issuance; it should also be reported to the Office Manager.

It is the policy of GICC that credit cards issued on behalf of GICC are intended to be used for the Organization's expenses and purchases; such cards should not be used for personal purposes.

Subject: ACCOUNTING DONOR PLEDGES

Effective Date: 5/28/2019	Version:

CONTRIBUTIONS RECEIVABLE– Accounting for Donor Pledges

The Organization conducts a variety of fundraising activities throughout the year during which donors may make "contribution pledges" for one or more years. This policy will help ensure that a donor pledge receivable amount is determined and recorded, and that if any pledges become uncollectable that the pledge receivable is adjusted accordingly. Included in this policy is the flow of responsibility within the organization for the employees tracking of donations.

Establishing the Donor Pledge Receivable

Organization staff should prepare a schedule summarizing the donor pledges to be received in the upcoming fiscal year in order to record the appropriate donation revenue and receivable amounts prior to June 30 of each fiscal year. The Executive Director should present the receivable information to the Finance Committee for review at their final meeting of each fiscal year. The Finance Committee may authorize the Executive Director to reduce the pledge receivable based on prior year history of uncollectable pledge receivables written off to bad debt expense.

Quarterly Review and Adjustment to Donor Pledge Receivable

On at least a quarterly basis, Organization staff should prepare and present to the Finance Committee for review a report on the pledges received during the previous quarter and the pledges that are past due and may become uncollectable.

Upon Finance Committee review of the pledges received, staff will prepare and enter a journal entry to record the adjustment to the Pledge Receivable and the Donation Revenue accounts.

The Executive Director will discuss with the Finance Committee the report on potential uncollectable pledges to determine if these pledges should be written off or further attempts at collection will be made. Prior to June 30 of each year, the Executive Director will present to the Finance Committee and the Board of Directors a full report on the uncollectable pledges. Upon review and approval by all parties, the Executive Director will authorize a journal entry to "write-off" the uncollectable donor pledges. The Bookkeeper will prepare a journal entry to reduce the Pledge Receivable and to "write-off" the uncollectable pledges amount to "Bad Debt Expense".