

Kids Central, Inc.

Accounting & Financial Policies and Procedures Manual

Effective Date(s) of Accounting Policies

The effective date of all accounting policies described in this manual is December 12, 2006. Revisions have been made to reflect job title changes and shifts in responsibility. This manual was reviewed and revised on October 17, 2008. Approved by the Board of Directors on _____.
Approved by the Policy Council on _____.

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INTRODUCTION

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

Kids Central, Inc. is incorporated in the state of Virginia. Kids Central, Inc. is exempt from federal income taxes under IRS Section [501(c)(3)] as a nonprofit corporation. Kids Central, Inc.'s mission is:

"To embrace our children, teach our children, and to inspire our children."

This manual shall document the financial operations of the Organization. Its primary purpose is to formalize accounting policies and selected procedures for the staff and to document internal controls.

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

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

Kids Central, Inc. is governed by its Board of Directors, which is responsible for the oversight of the organization by:

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

The board is responsible for hiring and periodically evaluating the organization's Executive Director, who shall be responsible for the day-to-day oversight and management of Kids Central, Inc.

The Role of the Policy Council

In partnership with the Board of Directors to be involved in the overall development of Head Start programs at Kids Central, Inc., the full Policy Council will be responsible for approving or disapproving:

1. Program planning and long- and short -range goals and objectives
2. Criteria for recruitment selection and enrollment priorities
3. All funding applications
4. Reimbursements for Policy Council and Parent Committees
5. Annual self-assessment of the program
6. Composition of the Policy Council and Committees
7. Written policies and procedures
8. Resolving community complaints
9. Hiring and termination of staff

Committee Structure

The board of directors and policy council shall form committees in order to assist them in fulfilling their responsibilities. These committees represent vehicles for parceling out the work to smaller groups, thereby removing the responsibility for evaluating all of the details of particular issues from the full board's and policy council's consideration. Standing board-level committees of Kids Central, Inc. consist of the following:

1. Executive Committee
2. Board Development

3. Financial Development
4. Personnel Development
5. Program Development
6. Facilities Development
7. Public Relations/Image
8. Long Range Plan

Specific guidelines regarding the composition and election of the board of directors and the policy council 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 Finance Committee is responsible for direction and oversight regarding the overall financial management of Kids Central, Inc. Functions of the Finance Committee include:

1. Review and recommendation of the organization's annual budget (prepared by the staff) for final approval by the full board
2. Long-term financial planning
3. Establishment of investment policy and monitoring investment performance
4. Evaluation and approval of facilities decisions (i.e. leasing, purchasing property & capital improvements).
5. Monitoring actual vs. budgeted financial performance
6. Oversight of corporate funds

The review of the organization's financial statements shall not be limited to the finance committee, but shall involve the entire board of directors and the policy council.

The Finance Committee is also responsible for recommending the hiring of an independent CPA firm and for directly communicating with the CPA firm to fulfill the requirement for an annual audit, as described in the organization's by-laws. The Finance Committee shall also review and approve the final audited financial statements, as well as any communications received from the auditor regarding internal controls, illegal acts, or fraud.

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

The Roles of the Executive Director and Staff

The board of directors with approval of the policy council hires the Executive Director, who reports directly to the board of directors. The Executive Director is responsible for hiring and evaluating department directors for each of the organization's departments. Each department director reports to the Executive Director.

FINANCE DEPARTMENT OVERVIEW

Organization

The finance department consists of three staff members who manages and processes financial information for Kids Central, Inc. The abbreviations of each position used throughout this manual, are as follows:

- Comptroller (COM)
- Financial Services Assistant
- Human Resource Officer

Other officers and employees of Kids Central, Inc. who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

- Executive Director (ED)
- Department Directors (DD)
- Treasurer – Board-Level (TR)
- Executive Committee (EC)
- Full Board of Directors (BOD)

Responsibilities

The primary responsibilities of the finance department consist of:

- General Ledger
- Budgeting
- Asset Management
- Billing
- Accounts Payable
- Cash Disbursements
- Payroll and Benefits
- Financial Statement Processing
- External Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of Sub-Ledgers
- Compliance with Government Reporting Requirements
- Annual Audit
- Non-Federal Share In-Kind

BUSINESS CONDUCT

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of Kids Central, Inc. depend to a very large extent on the following considerations.

Each employee, board member and policy council member must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. It is each individuals responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

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

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with Kids Central, Inc. policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known with the Organization or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?
7. Would I feel comfortable defending my actions on the 6 o'clock news?

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

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

Conflicts of Interest

In addition, no employee, officer, or agent of Kids Central, Inc. shall participate in the selection, award, or administration of a contract involving Kids Central, Inc. if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected.

Compliance With Laws, Regulations and Organization Policies

Kids Central, Inc. does not tolerate the willful violation or circumvention of any Federal, state, local, or foreign law by an employee during the course of that person's employment; nor does the Organization tolerate the disregard or circumvention of Kids Central, Inc. policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

Implementation of the provisions of this policy is one of the standards by which the performance of all levels of employees will be measured.

Disciplinary Action

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Organization or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principles of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain her/his actions before disciplinary action is taken.

Disciplinary action will be taken:

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

FRAUD POLICY

Scope

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

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 Executive Director or, alternatively, to the Chair of the board of directors of Kids Central, Inc. who coordinates all investigations.

Actions Constituting Fraud

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

1. Any dishonest or fraudulent act
2. Forgery or alteration of any document or account belonging to Kids Central, Inc.
3. Forgery or alteration of a check, bank draft, or any other financial document
4. Misappropriation of funds, securities, supplies, equipment, or other assets of Kids Central, Inc.
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 Kids Central, Inc. Exception: gifts less than a nominal (\$50.00) value.
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
9. Any similar or related irregularity

Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the departmental management and the Executive Director.

If there is a question as to whether an action constitutes fraud, contact the Executive Director or the Chair of the board of directors for guidance.

Investigation Responsibilities

The board of directors has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Board 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 Board will issue reports to appropriate designated personnel and, if appropriate, to the Kids Central, Inc. Board of Directors and/or the Executive Committee.

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 and senior management, as will final dispositions of the case.

If suspected fraud or other wrongdoing involves programs funded in whole or in part with federal funds, additional responsibilities, such as special reporting and disclosure to the awarding agency, may apply to the organization. It is the policy of Kids Central, Inc. to fully comply with all additional reporting, disclosure and other requirements pertaining to suspected acts of fraud as described in award documents.

Confidentiality

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

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect Kids Central, Inc. from potential civil liability.

Authority for Investigation of Suspected Fraud

Members of the Kids Central, Inc. Board of Directors will have:

1. Free and unrestricted access to all Kids Central, Inc. 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 of any such items or facilities when it is within the scope of their investigations.

Reporting Procedures

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

An employee who discovers or suspects fraudulent activity will contact the Executive Director or the Chair of the Board of Directors 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 Board of Directors or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation", "the crime", "the fraud", "the forgery", "the misappropriation", or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the Kids Central, Inc. legal counsel or the Board of Directors.

SECURITY

Finance Department

A lock will be maintained on the door leading into the Kids Central, Inc. Finance Department. This door shall be closed and locked in the evenings and whenever the Finance Department is vacant. The key to this lock will be provided to all finance personnel and the executive director. The lock will be changed whenever any of these individuals leaves the employment of Kids Central, Inc.

The Kids Central, Inc. blank check stock shall be stored in a fireproof file cabinet in the Finance Department. This cabinet will be locked with a key that is kept in the Finance Department. Access to this file cabinet shall be by keys in the possession of the Comptroller and Executive Director.

Access to Electronically Stored Accounting Data

It is the policy of Kids Central, Inc. to utilize passwords to restrict access to accounting software and data. Only duly authorized personnel with data input responsibilities will be assigned passwords that allow access to the system.

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

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

Storage of Back-Up Files

It is the policy of Kids Central, Inc. to maintain back-up copies of all accounting electronic data files in a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management.

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 Kids Central, Inc., and is supported by subsidiary ledgers that provide details for certain 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 Kids Central, Inc.'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.

Kids Central, Inc.'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

Each account number shall be preceded by a one-digit department number and followed by a one-digit grant code.

Distribution of Chart of Accounts

All Kids Central, Inc. 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

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

Account Definitions

General Ledger
Account Range
100 - 199

Category
Assets

Definition

Assets are probable future economic benefits obtained or controlled by the organization as a result of past transactions or events. Assets of Kids Central, Inc. 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.

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

200– 299

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 of Kids Central, Inc. are classified as current or long-term.

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

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

300 - 399

Net Assets

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

400 - 499

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 Kids Central, Inc. include rents, and interest. Revenues of Kids Central, Inc. also include contributions received from donors and grants received from government agencies, private foundations and corporations.

500 - 599

Expenses

Expenses are outflows or other using up of assets or occurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute Kids Central, Inc.'s ongoing major or central operations.

600 - 699

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 Kids Central, Inc. sells a fixed asset or writes off as worthless a fixed asset with remaining book value.

Classification of Net Assets

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

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

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

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

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

Changes to the Chart of Accounts

Additions to, deletions from, or any other changes to Kids Central, Inc.'s standard chart of accounts shall only be done with the approval of the Comptroller.

Fiscal Year of Organization

Kids Central, Inc. shall operate on a fiscal year that begins on June 1 and ends on May 31.

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger shall be supported by source documentation, 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 have source documentation.

It is the policy of Kids Central, Inc. that all journal entries not originating from subsidiary ledgers shall be authorized by the Comptroller.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

Kids Central, Inc. receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of Kids Central, Inc. 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. **Rent income** - Monthly accrual, based on the terms of each sublease
3. **Sponsorships** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income)
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 Comptroller.

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 Kids Central, Inc.'s articles of incorporation and bylaws. Restrictions on Kids Central, Inc.'s use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to Kids Central, Inc. without directly receiving value from Kids Central, Inc. in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to Kids Central, Inc.

Exchange Transaction - A reciprocal transaction in which Kids Central, Inc. and another entity each receive and sacrifice something of approximately equal value.

Distinguishing Contributions from Exchange Transactions

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

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

Accounting for Contributions

Kids Central, Inc. shall recognize contribution income in the period in which the Organization receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of Kids Central, Inc. in the period that Kids Central, Inc. 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 in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to Kids Central, Inc. 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 between temporarily restricted and unrestricted net assets shall be recorded.

When it receives support in the form of volunteer labor, Kids Central, Inc. 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 non-financial 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 Kids Central, Inc. 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 Kids Central, Inc. include medical, dental, and classroom volunteers.

Contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

Receipts and Disclosures

Kids Central, Inc. and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, Kids

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

For any separate contribution received by Kids Central, Inc., it shall provide a receipt to the donor if warranted. The receipt shall be prepared by a Kids Central, Inc. responsible employee. All receipts prepared by Kids Central, Inc. 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 Kids Central, Inc. 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 Kids Central, Inc., a description and good faith estimate of the value of those goods or services.

When Kids Central, Inc. receives cash in excess of \$100, or non-cash property with a value in excess of \$100, 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 Kids Central, Inc. 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 Kids Central, Inc. is less than the value of cash or property provided by the donor). In such instances, Kids Central, Inc. shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by Kids Central, Inc. may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by Kids Central, Inc.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. As such, Kids Central, Inc. shall not provide receipts when it receives cash or property in excess of \$100 in any of the following circumstances:

1. The goods provided to the donor that bear Kids Central, Inc.'s name or logo and have an aggregate cost of \$7.60 or less;
2. The goods provided to the donor have a fair market value equal to no more than 2% of the contribution or \$100, whichever is less; or
3. The gift received by Kids Central, Inc. resulted from the Organization's fundraising appeal that included articles worth no more than \$7.60, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. Inflation adjustments subsequent to 2001 are incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by Kids Central, Inc. shall be prepared by the finance department.

Examples of quid pro quo transactions that Kids Central, Inc. is involved with include food and field trip expenses.

It is the policy of Kids Central, Inc. to comply with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

BILLING/INVOICING POLICIES

Overview

The following is a list of items billed and/or accrued and received by Kids Central, Inc. and the frequency with which each is billed:

Quarterly Billings

1. Southwest Virginia Community College

Monthly Billings

1. Grants and contracts (See separate section on "Policies Associated with Federal Awards" for billing policies associated with federal grant agreements)
2. Subleases

Daily ("as needed") Billing

1. Miscellaneous

Responsibilities for Billing and Collection

Kids Central, Inc.'s Finance Department is responsible for the invoicing of goods and services. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections).

Accounts Receivable Entry Policies

Posting of customer invoices to the accounts receivable subsidiary ledger shall be performed by individuals independent of the cash receipts function of Kids Central, Inc.

Posting of credit memos and other adjustments to customer accounts receivable shall also be performed by an individual independent of the cash receipts function of Kids Central, Inc.

Classification of Income and Net Assets

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

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

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

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

From time to time, the Kids Central, Inc. 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". However, to identify these funds as being set aside for special projects, such set-asides shall be labeled "Board-Designated" funds within the unrestricted net assets of Kids Central, Inc., and shall be reported as a separate component of unrestricted net assets on the Kids Central, Inc. financial statements.

CASH RECEIPTS

Overview

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

Processing of Checks and Cash Received in the Mail

For funds that are received directly at Kids Central, Inc. (i.e. payments not mailed to a post office box), cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

Mail is opened and a receipt of cash/checks received shall be prepared in an open area. The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.

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

Endorsement of Checks

It is the policy of Kids Central, Inc. 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 rubber stamp that includes the following information:

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

Timeliness of Bank Deposits

It is the policy of Kids Central, Inc. that bank deposits will be made on a bi-weekly basis, unless the total amount received for deposit is less than \$500. In no event shall deposits be made less frequently than monthly.

Reconciliation of Deposits

On a monthly basis, the Comptroller, 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.

Use of Post Office Box

It is Kids Central, Inc.'s policy to inform members/customers that checks payable to the Organization be mailed directly to a post office box. As such, all invoices prepared by Kids Central, Inc. will include a reference to the post office box to which payments should be sent.

Kids Central, Inc. utilizes the following post office box account:

Kids Central, Inc
P. O. Box 661
Norton, VA 24273

Processing of Post Office Box Receipts

Post Office Box receipts are picked up by an employee independent of the accounts receivable function on a daily basis.

This information is entered into the cash receipts system and subsequently posted to the general ledger cash accounts and accounts receivable subsidiary ledger where applicable.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a monthly basis, a detailed accounts receivable report is generated and reconciled to the general ledger by the Comptroller. All differences are immediately investigated and resolved.

Accounts Receivable Write-Off Authorization Procedures

It is the policy of Kids Central, Inc. to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the finance department, in conjunction with the Executive Director. If an account receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

Amount

Less than \$500
\$500 or more

Authorized in writing by

Executive Director
Board of Directors

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

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

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account or against the original account credited.
2. Invoices written off that are dated prior to the current year will be treated as bad debt and will reduce the allowance for doubtful accounts.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PROCUREMENT POLICY AND PROCEDURES

OVERVIEW

THE POLICY DESCRIBED IN THIS SECTION APPLIES TO ALL PURCHASES MADE BY KIDS CENTRAL (KCI), INCORPORATED.

It is the policy of Kids Central, Inc. to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

This policy establishes procedures for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds. The policy is designed to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and Executive Orders.

Employees are strictly prohibited from transacting business in the name of Kids Central, Inc. without proper authorization. Employees are prohibited from making purchases using agency accounts for personal use or for organizations other than KCI, Inc.

Responsibility for Purchasing

Purchasing activities will be administered by the purchasing agent, currently the Financial services assistant, appointed by the Executive Director. The purchasing agent has approval authority over all purchases and contractual commitments in the manner described by this policy. The purchasing agent is responsible for processing and approving purchase orders in accordance with this policy.

The Comptroller has the authority to take appropriate procurement action in the absence of the purchasing agent, subject to the provisions of this policy.

Procedure

It is the policy of KCI, Inc. to utilize a purchase order system. **A properly completed purchase order is required for all purchases**, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form. No employee is authorized to make purchases without an official purchase order.

The following sequence of activities takes place for each purchase decision:

1. A purchase requisition that provides information on the quantity and nature of the required goods, supplies, materials, and services is completed. The originator signs the requisition and forwards it to the Comptroller for review.
2. The Comptroller reviews the requisition to determine if funds are available to make the purchase. The Comptroller notes whether funds are available on the purchase requisition.
3. The Comptroller initials the purchase requisition and forwards it to the purchasing agent for consideration.

4. The purchasing agent reviews the requisition and determines whether the proposed purchase is reasonable, necessary and allowable.
5. If approved, a purchase order to execute the transaction is issued. To the greatest extent possible, purchase orders will be issued within two working days of the purchase request. If denied, the purchasing agent provides an explanation for the denial and returns the requisition to the originator.
6. The purchasing agent, or an appropriate designee, will secure the requisitioned goods, supplies, materials and/or services itemized on the purchase order.

Purchasing Forms

Purchase Requisition:

The purchase requisition provides the purchasing agent with information as to the quantity and nature of goods, supplies, materials or services required. Requisitions must be submitted on an agency approved form, complete with all pertinent information. Requisitions that are not completed on the form approved by the agency will be returned to the originator without consideration.

Purchase Order:

The purchase order is an actual offer to buy the items specified therein. The purchasing agent prepares the purchase order using the purchase requisition. Purchase orders shall be pre-numbered, kept in a secure area, and issued in accordance with agency policy.

The purchase order is distributed as follows:

- Original: Forwarded to the supplier or originator of the purchase requisition
- 2nd Copy: Forwarded to the Comptroller, along with a copy of the requisition
- 3rd Copy: Retained by the purchasing agent

Approval and Authorization

All procurement actions will be allowable, reasonable and necessary for the provision of services as defined by Office of Management and Budget (OMB) Circular A-122: *Cost Principles for Non-Profit Organizations*. Proposed procurement actions which withstand the scrutiny of OMB Circular A-122, HHS 45 CFR Part 74, and other applicable Federal and State statutes will be approved subject to the conditions of this section.

In general, purchases will be deemed allowable if they are reasonable for the provision of services, conform to any limitations and exclusions set forth in applicable regulations, are determined in accordance with generally accepted accounting principles (GAAP), and are adequately documented.

Purchases will be deemed necessary and reasonable if the potential cost does not exceed that which would be incurred by a prudent person given the same circumstances; is generally recognized as ordinary and necessary for the operation of the agency or performance of the grant award; adheres to restraints imposed by generally accepted sound business practices, Federal and State laws and regulations, and the terms and conditions of the grant award; and does not significantly deviate from the established practices of the organization.

In addition to the agency imposed guidelines set forth within this section, the Comptroller is responsible for assuring that prior approval is received from the Regional Office for purchases subject to this requirement, as defined by OMB Circular A-122. Prior approval from the Regional Office will be obtained before capital expenditures for general or special purpose equipment, the purchase of land or buildings; or improvements to land, buildings or equipment which materially increase their value or useful life are authorized.

Required Solicitation of Quotations from Vendors

Purchase decisions exceeding \$5,000 for labor, equipment, supplies or services purchased, leased or contracted for shall be made only after receiving, whenever possible, *written* quotations from at least two (2) vendors.

All purchase decisions for items with an acquisition cost of \$10,000 or more shall be made through competitive negotiation with at least three (3) responsible vendors.

Solicitations for goods and services (requests for proposals) will provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
3. A description, whenever practical, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitations.
5. The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
6. Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
7. A description of the proper format, if any, in which proposals must be submitted, including the name of the agency employee to whom proposals should be sent.
8. The date by which the proposals are due.
9. Required delivery or performance dates/schedules.
10. Clear indications of the quantity(ies) requested and the unit(s) of measure.

Solicitations must provide sufficient time for potential vendors to prepare and submit offers before the specified due date. Offerors will generally be given at least ten (10) days to submit proposals responding to a request for proposals issued by the agency. In the event that a prospective offeror requests an extension of the due date for a solicitation, and such an extension is both justified and compatible with the requirements of Kids Central, Inc., an extension may be granted by the purchasing agent or designee.

Vendor proposals will be considered late if received after the due date and time specified in the solicitation. All such late proposals shall be marked "Late Proposal" on the outside of the envelope and retained, unopened, in the procurement folder. Vendors that submit late proposals will be sent a letter notifying them that their proposal was late and could not be considered for award.

The guidelines set forth within this section should be read in conjunction with 45 CFR Part 74.40 et. seq., which delineate additional procurement standards imposed by the Department of Health and Human Services.

Affirmative Consideration of Minority, Small Business and Women Owned Businesses

Kids Central, Inc. shall make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises whenever possible. The following steps shall be taken in furtherance of this goal:

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

Non-Discrimination Policy

All vendors/contractors who propose to perform any work or furnish any goods under agreements with Kids Central, Inc., shall agree to these important principles:

1. Vendors/contractors will not discriminate against any employee or applicant for employment because of race, religion, color, sexual orientation or national origin, except where religion, sex or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the vendors/contractors.
2. Vendors/contractors agree to post in conspicuous places, available to employee and applicants for employment, notices setting forth the provisions of this non-discrimination clause. Notices,

advertisements and solicitations placed in accordance with Federal law, rule or regulation shall be deemed sufficient for meeting the intent of this section.

Credit Card Purchases

It is the policy of Kids Central, Inc. to not utilize corporate credit cards. However, several vendors that are currently used require the use of store credit cards. These are kept in the financial services assistants office. They are not issued unless an approved purchase order has been issued for a particular purchase. These cards are kept in a locked filing cabinet and are issued only after the purchaser signs for the card. The card is signed back in when returned.

Special Purchasing Conditions

Emergencies:

When equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff, children and/or protection of Organization property is involved. Bona fide emergencies that warrant immediate action will be brought to the attention of the Chairperson of the Board of Directors and Executive Director and rectified in the most appropriate manner.

Single Distributor/Source:

Where there is only one (1) distributor for merchandise needed and no other product meets the stated needs or specifications, quotations will not be necessary. However, the purchase requisition will be annotated to reflect that the transaction was completed as a sole source acquisition.

Ethical Conduct in Purchasing

Ethical conduct in managing the Organization's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors, Policy Council, and Organization at all times.

Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment and/or services. Staff shall notify their immediate supervisor if they are offered such gifts. Gifts to the Organization, viewed as normal business incentives to obtain approved agency business in the future, are acceptable donations.

Conflicts of Interest Prohibited

No officer, board member, employee, or agent of KCI, Inc. shall participate in the selection or administration of a vendor if a real or apparent conflict of interest would be involved. Such a conflict would arise if an officer, board member, employee or agent, or any member of his/her immediate family, his/her spouse/partner, or an organization that employs or is about to employ any of the parties indicated herein has a financial or other interest in the vendor selected.

Officers, board members, employees and agents of KCI, Inc. shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.

Receipt and Acceptance of Goods

Upon receipt of any item from a vendor, the following actions shall immediately be taken by the employee that physically receives the goods:

- Review bill of lading for correct delivery point
- Verify the quantity of boxes/containers with the bill of lading
- Examine boxes/containers for exterior damage
- Note on the bill of lading any discrepancies (missing or damaged boxes/containers, etc.)
- Sign and date the bill of lading
- Forward the bill of lading to the Comptroller

Invoice Collection

All staff involved in the purchase and/or receipt of goods are expected to abide by the following invoice collection procedure. The procedure is designed to assure that approved purchases are processed for payment in a timely manner.

- Invoices received in centers and other locations should be turned into the Comptroller on at least a monthly basis. Invoices should be submitted to the Comptroller by the 5th day of the month following the end of the month in which the goods are received. Under no circumstances should an invoice be submitted after the fifth working day of the following month.
- Invoices should be attached to the purchase requisition and approved purchase order. Any other pertinent documentation should also be attached.
- A routine for picking up the invoices should be developed in each center. Employees that purchase goods on behalf of the agency are solely responsible for assuring that the invoice(s) are submitted to the central office. Appropriate corrective action will be taken if invoices are lost, not turned in or submitted in a timely manner.

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under the Internal Revenue Code, it is the policy of Kids Central, Inc. that the Organization shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state or local level. Political intervention does not include lobbying activities, defined as the direct or indirect support or opposition for legislation, which is not prohibited under the Internal Revenue Code for Kids Central, Inc. 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
5. Expenditures for the placement of political advertisements in periodicals

Endorsements of Candidates

It is the policy of Kids Central, Inc. 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 Kids Central, Inc., when these individuals are acting on behalf of, or are otherwise representing, the Organization.

Prohibited Use of Organization Assets and Resources

It is the policy of Kids Central, Inc. that 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 Kids Central, Inc. 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

Overview

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

It is the policy of Kids Central, Inc. 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 by the Comptroller and approved by the Executive Director 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 bi-weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of Kids Central, Inc. 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 Organization's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Establishment of Control Devices

Control of invoices is established by the Finance Department as soon as invoices are received.

Upon receipt of invoices, each invoice shall be stamped "Approved By & Date" and distributed to the Executive Director for approval.

Preparation of a Voucher Package

Prior to any account payable being submitted for payment, a package shall be assembled. Each package shall contain the following documents:

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)
3. Purchase order
4. Requisition
5. Any other supporting documentation deemed appropriate

Processing of Packages

The following procedures shall be applied to each package by the Comptroller:

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 general ledger distribution, using the Organization's current chart of accounts
4. Obtain the review and approval of the Executive Director.

Payment Discounts

To the extent practical, it is the policy of Kids Central, Inc. 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 so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under "Travel and Business Entertainment"). All receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle if received within two business days of the deadline. Expenses older than three months will not be reimbursed.

Reconciliation of A/P Subsidiary Ledger to General Ledger

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 Comptroller.

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

1. Check all statements received for unprocessed invoices.
2. Check the Purchase Order file for open P. O.'s that are more than 60 days old and follow up.

TRAVEL AND BUSINESS ENTERTAINMENT

Travel Advances

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance and approval of the Executive Director. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with the Organization's travel policies as explained later in this section.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit an expense report within 30 days of returning from travel. Any outstanding advances more than 30 days old will be considered taxable income and reported on the employee's W-2.

Employee and Director Business Travel

At the conclusion of a Kids Central, Inc. business trip, an employee or member of the board of directors that has incurred business-related expenses should complete an Expense Report in accordance with the following policies:

1. Identify each separately incurred business expense (i.e. do not group all expenses associated with one trip together)
2. With the exception of tips, tolls and reimbursed mileage, all business expenses must be supported with invoices/receipts.
3. For all lodging and any expenditure other than meals, vendor receipts/invoices must be submitted. Credit card charge slips do not represent adequate supporting documentation – a hotel receipt must be obtained to substantiate all lodging expenditures.
4. For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
5. Mileage may be reimbursed at the rate currently in effect, as established by the Board of Directors.
6. The business purpose of each trip must be adequately explained on each report.
7. Project/function codes must be identified for all expenditures.
8. For all meals the federal per diem rates for that area will be used.
9. All expense reports must be signed and dated by the employee.
10. All expense reports must be approved by the Executive Director.
11. Only one expense report form should be prepared for each trip.

When per diem rates are utilized, there is no requirement to obtain receipts from travelers to substantiate these components of business travel.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the Expense Report results in a balance due to Kids Central, Inc. (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach payment due amount. No

further travel advances will be issued to any employee who has an outstanding balance due to Kids Central, Inc. from previous business trips.

Reasonableness of Travel Costs

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

1. Suites and other upgraded rooms at hotels shall not be allowed; Travelers should stay in standard rooms
2. When utilizing rental cars, travelers should rent midsize or smaller vehicles; Share rental cars whenever possible
3. Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum; Expense reports should explain long-distance charges
4. Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family; Personal calls in excess of this shall not be reimbursed
5. Whenever possible, travelers should utilize long-distance calling cards when placing calls while away on travel; Avoid using the hotel's long-distance service if possible
6. Reasonable tips for baggage handling shall be reimbursed; No receipts are required

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at coach class; First class air travel shall not be reimbursed unless there is a documented medical reason
2. Memberships in airline flight clubs is not reimbursable
3. Cost of flight insurance is not reimbursable
4. When airfare is \$500 or more, two quotes from a travel agency and/or an airline should be obtained and attached to the expense report
5. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stayover, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stayover)
6. Cost of upgrade certificates is not reimbursable
7. Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.)
8. Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e. Kids Central, Inc. will not reimburse for the personal legs of a trip)

Spouse/Partner Travel

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

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

It is the policy of Kids Central, Inc. to print vendor checks and expense reimbursement checks on a bi-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 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 (unused checks are stored in a locked safe in the finance 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 in order to prevent subsequent reuse.

Check Signing

All checks require two signatures. No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks).

It is the policy of Kids Central, Inc. that each check shall be signed by an individual other than the one who approved the transaction for payment.

The Executive Director and Family and Community Partnerships Director have signature stamps and the Board Treasurer representing the Board of Directors.

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 finance department for preparation for mailing. 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 the Comptroller. A journal entry is made to record the stop payment and any related bank fees.

Record-Keeping Associated with Independent Contractors

Kids Central, Inc. shall obtain a completed Form W-9 or equivalent substitute documentation from all appropriate vendors to whom payments are made, when necessary. 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.

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

It is the policy of Kids Central, Inc. to consider all relevant facts and circumstances regarding the relationship between Kids Central, Inc. and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between Kids Central, Inc. and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

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

Facts associated with each of these categories that will be considered by Kids Central, Inc. in making employee/contractor determinations shall include:

1. Behavioral control:
 - a. Instructions given by Kids Central, Inc. to the worker that indicate control over the worker (suggesting an employee relationship), such as:
 - (1) When and where to work
 - (2) What tools or equipment to use
 - (3) What workers to hire or to assist with the work
 - (4) Where to purchase supplies and services
 - (5) What work must be performed by a specified individual
 - (6) What order or sequence to follow
 - b. Training provided by Kids Central, Inc. to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)
2. Financial control:
 - a. The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)
 - b. The extent of the worker's investment in the facilities/assets used in performing services for Kids Central, Inc. (greater investment associated with contractors)
 - c. The extent to which the worker makes services available to the relevant market
 - d. How Kids Central, Inc. pays the worker (i.e. guaranteed regular wage for employees vs. flat fee paid to some contractors)

- e. The extent to which the worker can realize a profit or loss.

3. Type of Relationship:

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

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

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

Payroll Administration

Kids Central, Inc. operates on a bi-weekly payroll. For all Kids Central, Inc. employees, a personnel file is established and maintained with current documentation, as described throughout this section and more fully described in Kids Central, Inc.'s Personnel Manual.

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

- 1. Kids Central, Inc. Employment Application (and resume, if applicable)
- 2. Applicant references (work & personal)
- 3. Interview questions and notes
- 4. Form W-4 Employee Federal Withholding Certificate
- 5. Form VA-4 State Withholding Certificate
- 6. Form I-9 Employment Eligibility Verification
- 7. Copy of driver's license
- 8. Copy of Social Security card issued by the Social Security Administration
- 9. Starting date and scheduled hours
- 10. Job title and starting salary

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

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

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

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

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

Changes in Payroll Data

It is the policy of Kids Central, Inc. 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 rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the appropriate department 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 Finance Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid.

It is the policy of Kids Central, Inc. to obtain a Form W-4 and a VA-4 from each employee. Withholding of federal and state income taxes shall be based on the most current Form W-4 and VA-4 prepared by each employee.

Preparation of Timesheets

Each Kids Central, Inc. employee must submit to the Finance Department a signed and approved timesheet no later than 12:00 noon on the 4th 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 shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees shall not use "white out" or correction tape)
4. Employees shall identify and record hours worked based on the nature of the work performed;
5. Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such;
6. Timesheets shall be signed by the employee prior to submission.

After preparation, timesheets shall be signed and approved by Department Directors or their designees, prior to submission to the finance department. Corrections identified by an employee's supervisor shall be authorized by the employee by placing the employee's initials next to the change.

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

Processing of Timesheets

Processing of timesheets in the finance department is performed by the Comptroller or the Financial Services Assistant. The supervisor checks all timesheets for mathematical accuracy.

When errors are noted, if a corrected and approved timesheet is not re-submitted in time to the Comptroller, the employee may not receive the correct pay. However, if annual or sick leave is listed on a time sheet and all time is exhausted adjustments can be made by the Comptroller.

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

Review of Payroll

Upon production of all payroll reports and checks, the Comptroller reviews payroll prior to its distribution to employees. The designated employees shall stamp the payroll checks, indicating approval of the payroll.

Distribution of Payroll

Payroll payments 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.

POLICIES PERTAINING TO SPECIFIC ASSET AND LIABILITY ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Account:

The primary purpose of this account is to receive electronic transfers of federal funds from the DHHS Payment Management System (PMS). The Comptroller totals check registers from the operating account and the payroll account and electronically transfers funds to meet financial obligations.

Operating Account:

The primary operating account provides for routine business check disbursements. All cash and checks received at the Kids Central, Inc. office are put into this account. Electronic debits are also transferred out of this account (such as for payroll taxes). Federal funds from the general account are also transferred into this account.

Payroll Account:

The payroll account is separate from the operating account. As such, only the amount needed to cover each payroll is transferred into this account based on the payroll check register.

Authorized signers on the payroll account will be the same as those on the operating account.

Bank Reconciliations

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

After this review is complete, a reconciliation between the bank balance and general ledger balance is prepared by someone who is not an authorized check signer. It is the policy of Kids Central, Inc. to complete the bank reconciliation process within one week of receipt of each bank statement.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files. All canceled checks returned with bank statements shall be filed in numerical order by bank account and month.

Cash Flow Management

The Comptroller monitors cash flow needs on a bi-weekly basis to eliminate idle and excess funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on a bi-weekly basis.

Stale Checks

It is the policy of Kids Central, Inc. to write off checks of \$1,000 or less that are more than 6 months old that have not cleared the Organization's bank. For uncashed checks that are more than 6 months old and that exceed \$1,000, contact will be made with the payee to resolve the issue.

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

Wire Transfers

The Comptroller and Financial Services Assistant shall be the only Kids Central, Inc. employees authorized to transact wire transfers from Kids Central, Inc. bank accounts. To prevent anyone other than the Comptroller and Financial Services Assistant from transacting wire transfers, a system shall be employed that requires the use of passcodes. Passcodes, issued only to the Comptroller and Financial Services Assistant, are assigned by the bank and are changed regularly.

PREPAID EXPENSES

Accounting Treatment

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

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

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

INVESTMENT POLICIES

Introduction

It is the policy of Kids Central, Inc. to treat all assets of the organization, including those funds that are legally unrestricted, as though they are held by Kids Central, Inc. in a fiduciary capacity for the purpose of accomplishing the organization's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards of Kids Central, Inc. shall be those of a prudent investor.

Investment Objectives

Kids Central, Inc.'s investment objectives are the preservation and protection of the organization's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Kids Central, Inc. shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, it shall be the policy of Kids Central, Inc. to carry all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of Kids Central, Inc. on a quarterly basis.

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

Procedures and Reporting

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

1. The Comptroller shall maintain a schedule of investments and reconcile this schedule with the general ledger and with investment account statements on a monthly basis. The schedule of investments shall include the following information with respect to each investment:

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

FIXED ASSET MANAGEMENT

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

Assets with fair market values in excess of \$5000 (per unit) that are contributed to Kids Central, Inc. shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

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

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. Unique asset number
2. Date of acquisition
3. Cost
4. Description (including color, model, and serial number)
5. Location of asset
6. Depreciation method
7. Estimated useful life
8. Grant award number
9. Whether title vests in the recipient or the Federal Government

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

Receipt of Newly-Purchased Equipment and Furniture

At the time of arrival, all newly-purchased equipment and furniture shall be "eyeballed" 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.

Estimated useful lives of capitalized assets shall be determined by the Comptroller in conjunction with generally accepted accounting principles. 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 yrs
General office equipment	5 yrs
Computer hardware and peripherals	3-5 yrs
Computer software	2-3 yrs
Leased assets	life of lease
Leasehold Improvements	remaining lease term

Alternatively, at the direction of the Comptroller, capitalized assets may be depreciated over useful lives expressed in terms of units of production or hours of service in place of the preceding useful lives expressed in terms of time.

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a yearly basis.

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

LEASES

Classification of Leases

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

1. The lease transfers ownership to Kids Central, Inc. at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the leased property;
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 Kids Central, Inc.'s incremental borrowing rate or, if known, the lessor's implicit rate).

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

Accounting for Leases

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

All leases that are classified as capital leases shall be treated as fixed asset additions of Kids Central, Inc. As such, upon the inception of a capital lease, Kids Central, Inc. shall record 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.

Kids Central, Inc. shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms.

ACCRUED LIABILITIES

Identification of Liabilities

The finance department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that shall be accrued by Kids Central, Inc. at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Rent
- Interest on notes payable

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

Accrued Leave

Personnel policies of Kids Central, Inc. do not permit employees to carry forward unused vacation leave from year to year.

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

NOTES PAYABLE

Record-Keeping

It is the policy of Kids Central, Inc. to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

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

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position of Kids Central, Inc. 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 any other notes without established repayment dates shall always be classified as current liabilities.

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

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

Non-Interest-Bearing Notes Payable

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

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

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 by Kids Central, Inc. 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.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

The basic financial statements of Kids Central, Inc. that are maintained on an organization-wide basis shall include:

1. **Balance Sheet**- reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non-current/long-term
2. **Profit and Loss Statement** - reports the cash inflows and outflows of the organization.

Frequency of Preparation

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

A standard set of financial statements described in the preceding section shall be produced on a monthly basis, by the second Wednesday of each month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

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

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the end of the month.

Review and Distribution

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

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

1. All members of the Board of Directors and the Policy Council
2. Executive Director
3. Department Directors and any other employee with budget-monitoring responsibilities

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

Annual Financial Statements

A formal presentation of the Organization's annual financial statements shall be provided by the Independent Auditor to the full Board of Directors. This presentation will be preceded by a meeting with Kids Central, Inc.'s Finance Committee, at which the Finance Committee will vote to accept or reject the annual financial statements. See separate policies regarding the annual audit under "Financial Management Policies."

GOVERNMENT RETURNS

Overview

To legitimately conduct business, Kids Central, Inc. must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements of Kids Central, Inc. include, but are not limited to, filing annual information returns with IRS, income tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll tax withholding tax returns.

Filing of Returns

It is the policy of Kids Central, Inc. to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Comptroller shall be responsible for identifying all filing requirements and assuring that Kids Central, Inc. is in compliance with all such requirements.

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

Filings made by Kids Central, Inc. include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exempt organizations, filed with IRS. Form 990 for Kids Central, Inc. is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 5500** - Annual return for Kids Central, Inc.'s employee benefit plans. Form 5500 is due on the fifteenth day of the seventh month following year-end, but a request for extension of time to file may be filed.
3. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based on calendar-year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28.
4. **Form 941** - Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter.
5. **Form VEC-FC-20** - Quarterly payroll tax return filed with the Virginia Employment Commission to report employee wages subject to Virginia unemployment taxes. Form VEC-FC-20 is due by the end of the month following the end of each quarter.

6. **Form VA-16** – Quarterly payroll tax return filed with the Virginia Department of Taxation to report Virginia Income Tax withheld from all employees. Form VA-16 is due by the end of the month following the end of each quarter.
7. **Multiple Worksite Report** – Quarterly report to report employee wages by site location. Multiple Worksite Report is due by the end of the month following the end of each quarter.

Kids Central, Inc.'s fiscal and tax year-end is May 31. All annual tax and information returns of Kids Central, Inc. (Form 990) are filed on the accrual basis of reporting.

It is the policy of Kids Central, Inc. to comply with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each Kids Central, Inc. employee.

Public Access to Information Returns

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

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

It is the policy of Kids Central, Inc. to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of Kids Central, Inc. during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Executive Director shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received by Kids Central, Inc., the Organization shall require pre-payment of all copying and shipping charges. For requests for copies that are received without pre-payment, Kids Central, Inc. will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. The copying cost charged by Kids Central, Inc. for providing copies of requested forms shall be \$1.00 for the first page copies and \$0.15 for each subsequent page. All copies shall be shipped to requesters via Priority Mail, thus, shipping charges will be a standard \$7.00 per shipment.
4. After payment is received by Kids Central, Inc, all requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the Executive Director.

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

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

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

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

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

Preparation and Adoption

It is the policy of Kids Central, Inc. to prepare an annual budget on the accrual basis of accounting. To prepare the Organization budget, the Comptroller shall gather proposed budget information from all Department Directors and others with budgetary responsibilities and prepares the first draft of the budget.

After appropriate revisions and a compilation of all department budgets by the Comptroller, a draft of the organization-wide budget, is presented to the Executive Director for discussion, revision, and initial approval.

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

It is the policy of Kids Central, Inc. to adopt a final budget at least 90 days before the beginning of the Organization's fiscal year.

Monitoring Performance

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

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the finance department and distributed to the Board of Directors, Policy Council, all Department Heads and all persons with budgeting responsibilities.

Budget Modifications

After a budget has been approved by the board of directors, policy council and adopted by the Organization, reclassifications of budgeted expense amounts must be reviewed and approved by the board of directors and the policy council.

ANNUAL AUDIT

Role of the Independent Auditor

It is the policy of Kids Central, Inc. 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 Kids Central, Inc. will be required to communicate directly with the Organization's Board of Directors upon the completion of their audit. In addition, Board of Directors are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm, after the financial statements have been reviewed and approved by the Executive Director.

How Often to Review the Selection of the Auditor

Kids Central, Inc. 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 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 Kids Central, Inc. in selecting an accounting firm:

1. The firm's reputation in the nonprofit community
2. The depth of the firm's understanding of and experience with not-for-profit organizations and federal reporting requirements under OMB Circular A-133. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

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

1. Period of services required
2. Type of contract to be awarded (fixed fee, cost basis, etc.)
3. Complete description of the services requested (audit, management letter, tax returns, etc.)
4. Identification of meetings requiring their attendance, such as staff or Board of Director meetings
5. Organization chart of Kids Central, Inc.
6. Chart of account information

7. Financial information about the organization
8. Copy of prior year reports (financial statements, management letters, etc.)
9. Identification of need to perform audit in accordance with OMB Circular A-133
10. Other information considered appropriate
11. Description of proposal and format requirements
12. Due date of proposals
13. Overview of selection process (i.e. whether finalists will be interviewed, when a decision shall be made, etc.)
14. Identification of criteria for selection

Minimum Proposal Requirements from prospective CPA firms shall be:

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

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

Preparation for the Annual Audit

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

Planning – The Executive Director is responsible for delegating the assignments and responsibilities to finance 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 in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will as much as possible in order 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 Kids Central, Inc. 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 Kids Central, Inc. from its independent auditor, the Comptroller 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 Kids Central, Inc.
3. Review each footnote for accuracy and completeness

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

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

Finance Committee Responsibilities

In accordance with the Kids Central, Inc. by-laws, there shall be a Finance Committee consisting of members of the board and policy council and the Comptroller. The term of office shall be for one year.

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

1. Appointment of, and communication with, the Organization's independent auditors
2. Review and approval of the annual, audited financial statements
3. Discussion of internal control matters with the independent auditor
4. Responding to any reported instances of fraud involving Kids Central, Inc. or its employees
5. Conducting a monthly analysis of the Organization's financial statements
6. Making policy and other recommendations to the Kids Central, Inc. Board of Directors regarding matters arising out of the audit

In fulfilling these duties and responsibilities, the Finance Committee is entitled to examine any and all documents within the control of Kids Central, Inc. and its employees. In addition, the Finance Committee shall have the authority to contract with independent contractors in the fulfillment of the committee's responsibilities.

INSURANCE

Overview

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of Kids Central, Inc.

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

Coverage Guidelines

As a guideline, Kids Central, Inc. will arrange for the following types and levels of insurance as a minimum:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
General Liability, Fire & Theft	\$1,000,000
Commercial Vehicle	\$1,000,000
Employee dishonesty/bonding	\$1,000,000 for all employees who have access to any funds
Directors and Officers	\$1,000,000 (with an appropriate deductible level)
Workers' Compensation	To the extent required by law

Kids Central, Inc. shall maintain a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates

Insurance Definitions

Workers' Compensation and Employer's Liability

Contractors are required to comply with applicable Federal and State workers' compensation and occupational disease statutes. If 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.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, Kids Central, Inc. shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of the organization will determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers, child and employee general liability insurance, buildings, contents, computers, fine arts, boilers and machinery.

RECORD RETENTION

Policy

It is the policy of Kids Central, Inc. to retain records as required by law and to destroy them when appropriate. The destruction of records must be approved by the Executive Director. The formal records retention policy of Kids Central, Inc. is as follows:

Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	3 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	Permanently
Duplicate deposit slips	3 Years
Employment applications	45 Days
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	Optional
Garnishments	7 Years
General ledgers/year end trial balance	Permanently
Insurance policies (expired)	3 Years
Insurance records (policies, claims, etc.)	Permanently
Internal audit reports	3 Years +
Internal reports	3 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from vendors)	7 Years
Journals	Permanently
Minute books of directors, bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Physical inventory tags	3 Years
Property records (incl. depreciation schedules)	Permanently
Purchase orders:	
Purchasing department copy	7 Years
Other copies	1 Year

Receiving sheets	1 Year
Retirement and pension records	Permanently
Requisitions	1 Year
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years
Withholding tax statements	7 Years

FUNCTIONAL EXPENSE ALLOCATIONS

Overview

As one of its financial management objectives, Kids Central, Inc. 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 Kids Central, Inc. 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.

Program and supporting service functions of Kids Central, Inc. are:

Programs:

1. Head Start
2. Early Head Start

Supporting Services:

1. Administration
2. Haysi Learning Center
3. Education
4. Nutrition
5. Family Services
6. Health
7. Parent Involvement
8. Maintenance\Transportation
9. Support Services

Direct Charging of Costs

Certain internal costs shall be directly charged to the appropriate Kids Central, Inc. function based upon underlying documentation. The following costs shall be directly charged based on the documentation or factor listed next to each:

Cost

Salaries
Occupancy (facilities) costs
Long-Distance Telephone
Photocopying
Postage
Supplies

Basis For Charge

Timesheets (hours) or number of employees in a function
Actual square footage used by each function
Actual use, based on invoices
Actual use
Actual use
Actual use

All costs identified above shall be initially allocated between accounts when being coded for payment. With the exception of payroll which are allocated to the appropriate functions via monthly journal entries.

POLICIES PERTAINING TO FEDERAL AWARDS

ADMINISTRATION OF FEDERAL AWARDS

Definitions

There are several types of agreements through which Kids Central, Inc. may receive financial assistance from a donor/grantor agency:

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

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

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

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

Preparation and Review of Proposals

All proposals shall be reviewed by the Executive Director prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by the Board of Directors and the Policy Council.

Post-Award Procedures

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

1. Verify the specifications of the grant or contract. The Executive Director shall review the terms, time periods, award amounts and expected expenditures associated with the award. A CCOMA (*Catalog of Federal Domestic Assistance*) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Create new general ledger account numbers. New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
3. Gather documentation. A file is established for each grant or contract. The file contains the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

Compliance with Laws, Regulations and Provisions of Awards

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

1. For each Federal award, the Executive Director will be responsible for administering the award and designated as "Grant/Project Manager" (GPM).
2. Each GPM or a designee shall attend a class on grant management prior to beginning their role as a GPM (or as early in their functioning as a GPM as practical). Thereafter, all GPM's shall attend refresher/update courses on grant management every two years.
3. The GPM shall take the following steps to identify all applicable laws, regulations, and provisions of each grant and contract:
 - a. Read each award and prepare a summary of key compliance requirements and references to specific laws and regulations.
 - b. Review the "OMB Circular A-133 Compliance Supplement" (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all Federal awards.
 - c. Review the section of the Catalog of Federal Domestic Assistance applicable to the award.
4. The Finance Department shall forward copies of applicable laws regulations to the GPM (such as OMB Circulars, pertinent sections of compliance supplements, and other regulations).
5. The GPM and/or the Kids Central, Inc. Finance Department shall identify and communicate any special changes in policies and procedures necessitated by Federal awards as a result of the review of each award.
6. The GPM shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to the "OMB Circular A-133 Compliance Supplement", and communications with Federal awarding agency personnel.
7. The GPM shall cooperate with the Organization's Independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants and communicating known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Billing and Financial Reporting

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

Kids Central, Inc. shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of Comptroller, subject to review and approval by Executive Director, Board of Directors and the Policy Council.

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

1. It is the policy of Kids Central, Inc. to request reimbursement after expenditures have been incurred, unless an award specifies another method.
2. Each award normally specifies a particular billing cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
3. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
4. All financial reports required by each federal award will be prepared and filed on a timely basis. To the extent Kids Central, Inc.'s year-end audit results in adjustments to amounts previously reported to federal agencies, revised reports shall be prepared and filed in accordance with the terms of each federal award.

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

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of Kids Central, Inc. by the Comptroller.

If a federal award authorizes the payment of cash advances to Kids Central, Inc., the Comptroller may request that a request for such an advance be made. Upon receipt of a cash advance from a federal agency, Kids Central, Inc. shall reflect a liability equal to the advance. As part of the monthly close-out and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

Cash Drawdowns Under Letters of Credit

Cash drawdowns under letters of credit from federal agencies shall be made bi-weekly in conjunction with the accounts payable and payroll schedule, based on need. All federal funds shall be deposited into an interest-bearing cash account under the cash receipts policies and procedures described in this manual.

The Comptroller shall draw cash from the U.S. Treasury based on a computer listing of anticipated cash disbursements due to be paid within the next week. Adjustments to this estimate shall be made for known exceptions, such as staff going on or returning from leave, non-recurring purchases, etc.

In addition, the following schedule shall be completed to reconcile Federal cash on hand and to estimate the organization's need for additional Federal funds:

+	Federal cash drawn to date
-	YTD expenses as of the end of the prior month
-	<u>Estimated disbursements this month to date</u>
=	Subtotal (Estimated cash on hand today)
-	<u>Estimated disbursements this week</u>
=	<u>Amount to be requested</u>

Procurement Under Federal Awards

Procurement of goods and services whose costs are charged to federal awards received by Kids Central, Inc. are subject to all of the specific Kids Central, Inc. purchasing policies described earlier, under "Purchasing Policies and Procedures." In addition, procurements associated with Federal awards are subject to the following supplemental policies:

1. Kids Central, Inc. shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award.
2. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical and practical procurement for the Federal government.
3. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award.
4. For all procurements in excess of the small purchase acquisition threshold (currently \$100,000), procurement records and files shall be maintained the include all of the following:
 - a. The basis for contractor selection.
 - b. Justification for lack of competition when competitive bids or offers are not obtained.
 - c. The basis for award cost or price.

5. Kids Central, Inc. shall make all procurement files available for inspection upon request by a Federal Awarding Agency.
6. All contracts with vendors shall require the vendor to certify in writing that it has not been suspended or disbarred from doing business with any federal agency.

In addition, no employee, officer, or agent of Kids Central, Inc. shall participate in the selection, award or administration of a contract supported by Federal funds if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, any member of her or his immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award.

Solicitations of Bids from Vendors

All purchases in excess of \$5,000 but less \$15,000 shall be made by obtaining oral or written quotations, whenever possible, from at least two responsible vendors.

All purchases exceeding \$15,000, shall be made by obtaining written quotations, whenever possible, from at least two responsible vendors.

All purchases of \$25,000 or more shall be made by obtaining competitive proposals from at least three responsible vendors.

Kids Central, Inc. shall not utilize the "cost-plus-a-percentage-of-cost" method of contracting with vendors.

All other policies and procedures associated with procurement under Federal awards shall be governed by the policies applicable to all purchases of Kids Central, Inc., described in the section of this manual on "Policies Associated With Expenditures and Disbursements."

Provisions Included in all Contracts

It is the policy of Kids Central, Inc. to include all of the following provisions, as applicable, in all contracts (including small purchases) with vendors and sub-grants to grantees:

1. **Equal Employment Opportunity:** All contracts shall contain a provision requiring compliance with E.O. 11246, "Equal Employment Opportunity," as amended by E.O. 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and as supplemented by regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

2. **Copeland "Anti-Kickback" Act (18 U.S.C. 874 and 40 U.S.C. 276c):** All contracts and subgrants in excess of \$2,000 for construction or repair awarded by Kids Central, Inc. and its subrecipients shall contain a provision for compliance with the Copeland "Anti-Kickback" Act (18 U.S.C. 874), as supplemented by Department of Labor regulations 29 CFR part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States." This Act provides that each contractor or subrecipient shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. It is the policy of Kids Central, Inc. to report all suspected or reported violations to the Federal awarding agency.
3. **Davis-Bacon Act, as amended (40 U.S.C. 276a to a-7):** If included in the federal agency's grant program legislation, all construction contracts of more than \$2,000 awarded by Kids Central, Inc. and its subrecipients shall include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) and as supplemented by Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). Under this Act, contractors are required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor. In addition, contractors shall be required to pay wages not less than once a week. It is the policy of Kids Central, Inc. to place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. Kids Central, Inc. shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. Kids Central, Inc. shall report all suspected or reported violations to the Federal-awarding agency.
4. **Contract Work Hours and Safety Standards Act (40 U.S.C. 327-333):** (Where applicable) All contracts awarded by Kids Central, Inc. in excess of \$2,000 for construction contracts and in excess of \$2,500 for other contracts that involve the employment of mechanics or laborers shall include a provision for compliance with Sections 102 and 107 of the Contract Works Hours and Safety Standards Act (40 U.S.C. 327-333), as supplemented by Department of Labor regulations (29 CFR part 5). Under Section 102 of the Act, each contractor is required to compute wages of every mechanic and laborer on the basis of a standard workweek of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than 1-1/2 times the basic rate of pay for all hours worked in excess of 40 hours in the work week. Section 107 of the Act is applicable to construction work and provides that no laborer or mechanic shall be required to work in surroundings or under working conditions that are unsanitary, hazardous, or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.
5. **Rights to Inventions Made Under a Contract or Agreement:** Contracts or agreements for the performance of experimental, developmental, or research work shall provide for the rights of the Federal Government and Kids Central, Inc. in any resulting invention in accordance with 37 CFR part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

6. **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), as amended:** Contracts and subgrants of amounts in excess of \$100,000 shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251 et seq.). Violations shall be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).
7. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or sub-grants of \$100,000 or more, Kids Central, Inc. shall obtain from the contractor or sub-grantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, Kids Central, Inc. shall provide such certifications in all situations in which it acts as a sub-recipient of a sub-grant of \$100,000 or more.
8. **Debarment and Suspension (E.O.s 12549 and 12689):** For all contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000), Kids Central, Inc. shall obtain from the contractor a certification that neither the contractor nor any of its principal employees are listed on the General Services Administration's List of Parties Excluded from Federal Procurement or Nonprocurement Programs.
9. **Remedies:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms.
10. **Termination:** All contracts in excess of the small purchase threshold fixed at 41 U.S.C. 403(11) (currently \$100,000) shall contain suitable provisions for termination by Kids Central, Inc., including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated due to circumstances beyond the control of the contractor.

Making of Subawards

From time to time, Kids Central, Inc. may find it practical to make subawards of federal funds to other organizations. All sub-awards in excess of \$15,000 shall be subject to the same procurement policies described in the preceding section. In addition, all sub-recipients must be approved in writing by the federal awarding agency and agree to the subrecipient monitoring provisions described in the next section.

With respect to subrecipients with whom Kids Central, Inc. has not recently had a subaward relationship, the Executive Director shall determine an appropriate level of pre-award inquiry that shall

be performed. The purpose of such inquiry, which may involve a site visit to a potential subrecipient, is to gain assurance that a potential subrecipient has adequate policies and procedures in place to provide reasonable assurance that it is capable complying with all applicable laws, regulations and award provisions. In addition, Kids Central, Inc. shall obtain the following documents from all new subrecipients:

1. Articles of incorporation
2. By-laws or other governing documents
3. Determination letter from the IRS (recognizing the subrecipient as exempt from income taxes under IRC section 501(c)(3))
4. Last 3 years' Forms 990 or 990-EZ, including all supporting schedules and attachments (also Form 990-T, if applicable)
5. Copies of the last 3 years' audit reports and management letters received from subrecipient's independent auditor (including all reports associated with audits performed in accordance with OMB Circular A-133, if applicable)
6. Copy of the most recent internally prepared financial statement and current budget
7. Copies of reports of government agencies (Inspector General, state or local government auditors, etc.) resulting from audits, examinations or monitoring procedures performed in the last three years

Monitoring of Subrecipients

When Kids Central, Inc. utilizes Federal funds to make sub-awards to subrecipients, Kids Central, Inc. is subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program.

In fulfillment of its obligation to monitor subrecipients, the following policies apply to all sub-awards of federal funds made by Kids Central, Inc. to subrecipients:

1. Subaward agreements shall include all information necessary to identify the funds as federal funding. This information shall include:
 - a. The applicable Catalog of Federal Domestic Assistance (CCOMA) title and number
 - b. Award name
 - c. Name of Federal agency
 - d. Amount of award
2. Subaward agreements shall identify all applicable audit requirements, including the requirement to obtain an audit in accordance with OMB Circular A-133, if the subrecipient meets the criteria for having to undergo such an audit.
3. Subawards shall include a listing of all applicable Federal requirements that each subrecipient must follow.

4. Subawards shall require that subrecipient employees responsible for program compliance obtain appropriate training in current grant administrative and program compliance requirements.
5. Subawards shall require that subrecipients submit financial and program reports to Kids Central, Inc. on a basis no less frequently than monthly.
6. Kids Central, Inc. will follow up with all subrecipients to determine whether all required audits have been completed. Kids Central, Inc. will cease all funding of subrecipients failing to meet the requirement to undergo an audit in accordance with OMB Circular A-133. For subrecipients that properly obtain an audit in accordance with OMB Circular A-133, Kids Central, Inc. shall obtain and review the resulting audit reports for possible effects on Kids Central, Inc.'s accounting records or audit.
7. Kids Central, Inc. shall assign one of its employees the responsibility of monitoring of each subrecipient on an ongoing basis, during the period of performance by the subrecipient. This employee will establish and document, based on her/his understanding of the requirements that have been delegated to the subrecipient, a system for the ongoing monitoring of the subrecipient.
8. Ongoing monitoring of subrecipients by Kids Central, Inc. will inherently vary from subrecipient to subrecipient, based on the nature of work assigned to each subrecipient. However, ongoing monitoring activities may involve any or all of the following:
 - a. Regular contacts with subrecipients and appropriate inquiries regarding the program.
 - b. Reviewing programmatic and financial reports prepared and submitted by the subrecipient and following up on areas of concern.
 - c. Monitoring subrecipient budgets.
 - d. Performing site visits to the subrecipient to review financial and programmatic records and assess compliance with applicable laws, regulations, and provisions of the subaward.
 - e. Offering subrecipients technical assistance where needed.
 - f. Maintaining a system to track and follow up on deficiencies noted at the subrecipient in order to assure that appropriate corrective action is taken.
 - g. Establishing and maintaining a tracking system to assure timely submission of all reports required of the subrecipient.
9. Documentation shall be maintained in support of all efforts associated with Kids Central, Inc.'s monitoring of subrecipients.

Equipment and Furniture Purchased With Federal Funds

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

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

All purchases of "equipment" with federal funds in excess of \$25,000 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 Kids Central, Inc. 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 \$5,000 or less at the conclusion of the award, Kids Central, Inc. 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, Kids Central, Inc. shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.
4. The Kids Central, Inc. Grant Manager shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
5. A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by Kids Central, Inc.

Standards for Financial Management Systems

In accordance with OMB Circular A-110, it is the policy of Kids Central, Inc. 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. Kids Central, Inc. 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. Written procedures to minimize the time elapsing between the transfer of funds to Kids Central, Inc. 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. Written procedures for determining the reasonableness, allocability 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.

Project and Program Revisions

It is the policy of Kids Central, Inc. to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

1. Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
2. Change in a key person (project director, etc.) specified in the application or award document.
3. The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.
4. The need for additional Federal funding.
5. The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
6. The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
7. The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.

8. Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award (However, this provision does not apply to purchases of supplies, materials, equipment or general support services).

Close Out of Federal Awards

Kids Central, Inc. shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

Kids Central, Inc. and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

CHARGING OF COSTS TO FEDERAL AWARDS

Overview

It is the policy of Kids Central, Inc. that only costs that are reasonable, allowable and allocable to a Federal award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to Federal awards.

Segregating Unallowable From Allowable Costs

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

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Finance and purchasing personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of Kids Central, Inc. to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Criteria for Allowability

It is the policy of Kids Central, Inc. that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under a Federal award:

1. The cost must be "reasonable" for the performance of the award, considering the following factors:
 - a. Whether the cost is of a type that is generally considered as being necessary for the operation of the organization or the performance of the award;
 - b. Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
 - c. Whether the individuals concerned acted with prudence in the circumstances;
 - d. Consistency with established policies and procedures of the Organization, deviations from which could unjustifiably increase the costs of the award.
2. The cost must be "allocable" to an award by meeting one of the following criteria:
 - a. The cost is incurred specifically for a Federal award;
 - b. The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - c. The cost is necessary to the overall operation of the Organization, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.
3. The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal award itself.
4. Treatment of costs must be consistent with policies and procedures that apply to both Federally financed activities and other activities of the Organization.
5. Costs must be consistently treated over time.
6. The cost must be determined in accordance with generally accepted accounting principles.
7. Costs may not be included as a cost of any other Federally financed program in the current or prior periods.
8. The cost must be adequately documented.

Direct Costs

Direct costs include those costs that are incurred specifically for one award or non-Federal function. Kids Central, Inc. identifies and charges these costs exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are approved by the Executive Director and reviewed by the Comptroller.

Time sheets or personnel activity reports, described earlier, are also submitted on a regular basis reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to Federal awards and non-Federal functions.

Equipment purchased for exclusive use on a federal award and reimbursed by a federal agency shall be accounted for as a direct cost of that award (i.e. such equipment shall not be capitalized and depreciated).

Accounting for Specific Elements of Cost

Kids Central, Inc. shall utilize the following methods of charging specific elements of cost to federal awards as:

Salaries and Wages – Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet, as follows:

Direct costs – The majority of the employees of Kids Central, Inc. charge their time directly since their work is specifically identifiable to specific grants or other (non-federal) programs or functions of the organization.

Mixed charges – The following employees may charge their salary costs to both direct and indirect activities or more than one program:

- Executive Director
- Comptroller
- Family and Community Partnership Director
- Education Services Director
- Financial Services Assistant
- Human Resource Officer
- Disabilities Coordinator
- Health Services Manager
- Food & Nutrition Assistant
- Health Services Assistant

Compensated absences (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. The accounting system of Kids Central, Inc. records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.

Employee Benefits – Kids Central, Inc. incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker's compensation
- Health insurance
- Contributions to pension plan
- Dental Insurance
- Life & Disability Insurance

The total cost of all of the preceding employee benefits shall be determined by summing the cost associated with each benefit. This total employee benefit costs shall then be allocated directly and indirectly in the same proportions as salaries and wages.

Occupancy Expenses – Monthly rent expense and related pass-through expenses shall be allocated directly and indirectly, based on approximate square footage of space utilized, as follows:

Direct costs – The cost of space occupied by staff whose salaries are directly charged to federal awards is charged directly to those same awards

Indirect costs – The costs of space occupied by staff whose salaries are indirectly charged is also charged indirectly. The cost of space for staff whose salaries are charged on a mixed basis (directly and indirectly) shall be allocated on a mixed basis in the same ratio as their salaries are allocated.

The cost of space associated with common areas, such as hallways, restrooms, and conference rooms, shall be accounted for as an indirect cost.

Utilities – Utilities costs incurred by Kids Central, Inc. include electricity and water. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs.

Supplies and Materials – To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials. All supplies and materials used by staff who are engaged in indirect activities shall be charged indirectly.

Postage and Shipping – To the maximum extent possible, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs.

Photocopying and Printing – Photocopying costs include all paper and copy supplies, copier maintenance charges and the actual lease cost of the copier.

All printing costs are charged directly to the benefiting grant or program/function.

Communications – Communications costs include the costs of local telephone service and long-distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet connections.

Local telephone service costs are charged directly and indirectly based upon the number of telephone units assigned to Kids Central, Inc. Each telephone unit of Kids Central, Inc. is identified to either a direct or an indirect activity, as determined annually based on an approximation of time charges of employees associated with each telephone unit. No telephone units shall be charged as mixed-use units due to the immateriality of the costs involved. For example, if Kids Central, Inc. has 100 telephone units and 15 of those units are assigned to employees who work directly on a particular grant, 15 percent of each month's local telephone service costs shall be allocated to that grant.

Long-distance telephone calls are charged either directly or indirectly based upon whether a direct or indirect activity benefits from the transmission.

Outside Services – Kids Central, Inc. incurs outside service costs for its annual audit, legal fees, and for staff development specialists. Outside service costs shall be charged as follows:

Audit fees – Cost of the financial statement audit and preparation of Form 990 shall be charged as an indirect cost. Additional audit costs associated with that portion of the audit associated with OMB Circular A-133 shall be charged directly to the audited programs, based on estimates received from the independent CPA firm.

Legal fees – Legal fees shall be charged directly to the program/function that benefits from the services. Legal fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Staff Development Specialists – Costs associated with staff development specialists shall be charged directly to the program/function that benefits from the services. Fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Insurance – To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or programs (such as the Organization's general liability coverage) shall be charged indirectly.

Credits – The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

Cost Sharing and Matching

It is the policy of Kids Central, Inc. to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

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

1. They are verifiable from Kids Central, Inc. records
2. They are not included as contributions for any other federally-assisted project or program.
3. They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
4. They are allowable under OMB Circular A-122.
5. They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
6. They are provided for in the approved budget when required by the Federal awarding agency.
7. They conform to all provisions of OMB Circular A-110.
8. In the case of donated space, the space is subject to an independent appraisal to establish its value.

Contributed services used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in the Organization (match up experience and skill level), including an estimate of reasonable fringe benefits. Kids Central, Inc. prepares a volunteer valuation chart each program year in accordance with the pay scale and average fringe benefits to value volunteer time. In cases in which the required skills are not found in the Organization, rates used shall be consistent with those paid for similar work in the labor market in which Kids Central, Inc. competes.

It is the policy of Kids Central, Inc. to require volunteers to document and account for their contributed time in a manner similar to the time-keeping system followed by Kids Central, Inc. employees.

Preparation of Federal Cash Transaction Report, PSC 272

PSC 272 Report and related schedules will be prepared on a calendar quarterly basis as required by the Division of Payment Management System. The monthly financial statements will be used to prepare this report. Actual expenditures will be reconciled to the accounting records in accordance with the required regulations. A sample PSC 272 and instructions are included as attachment one of this manual. Kids Central, Inc. has asked our independent auditor to review the preparation of this report before submission to the Division of Payment Management.

Preparation of Financial Status Report, SF-269

SF – 269 Report will be prepared on a semi-annual basis. The six monthly and twelve month financial statements will be used respectively to prepare these reports. SF- 269 Report will be prepared in accordance with the instructions provided with the return. A sample SF – 269 Report and instructions have been included as attachment two of this manual. Kids Central, Inc. has asked our independent auditor to review the preparation of this report before submission to the Department of Health and Human Services Regional Office.

Reporting Schedule

Kids Central, Inc. strives to prepare all necessary reports and returns in a timely and accurate manner. The following list includes current reports and returns prepared by the finance department:

<u>Month</u>	<u>Report</u>	<u>Due Date</u>
January	Financial Statements	2 nd Wednesday
	Non-Federal Share Report	2 nd Wednesday
	1099's	January 31
	W-2's	January 31
	Payroll Tax Reports	January 31
	Fuel Tax Report	January 31
	SVCC Bill	January 31
February	PSC-272 Report	February 15
	Financial Statements	2 nd Wednesday
	Non-Federal Share Report	2 nd Wednesday
March	Grant Refunding Application	March 1
	Financial Statements	2 nd Wednesday
	Non-Federal Share Report	2 nd Wednesday
	Employee Census (Retirement)	March 15
April	Financial Statements	2 nd Wednesday

	Non-Federal Share Report	2 nd Wednesday
	Payroll Tax Reports	April 30
	Fuel Tax Reports	April 30
	SVCC Bill	April 30
May	PSC-272 Report	May 15
	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
June	Supplemental Grant Application	June 1
	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	Preliminary 269 Report	June 30
July	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	Income Tax Return Form 5500	July 15
	Payroll Tax Reports	July 31
	Fuel Tax Reports	July 31
	Bill SVCC	July 31
August	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	PSC-272 Report	August 15
	Final 269 Report	August 31
	Annual Audit Report	3 rd Tuesday
September	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	Annual EEOC Report	September 31
October	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	Income Tax Return 990	October 15
	Payroll Tax Reports	October 31
	Fuel Tax Reports	October 31
	Bill SVCC	October 31
November	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	PSC-272 Report	November 15
December	Financial Statements	2 nd Wednesday
	Non-Federal Share	2 nd Wednesday
	Semi-Annual 269 Report	December 31
	Worker's Compensation Audit	December 31

FEDERAL CASH TRANSACTIONS REPORT

(See instructions on the back. If report is for more than one grant or assistance agreement, attach completed Standard Form 272A.)

OMB APPROVAL NO. 0348-0003

1. Federal sponsoring agency and organizational element to which this report is submitted

2. RECIPIENT ORGANIZATION

Name:

Number
and Street:

City, State
and ZIP Code:

4. Federal grant or other identification number

5. Recipient's account number or identifying number

6. Letter of credit number

7. Last payment voucher number

Give total number for this period

8. Payment Vouchers credited to your account

9. Treasury checks received (whether or not deposited)

3. FEDERAL EMPLOYER IDENTIFICATION NO.

10. PERIOD COVERED BY THIS REPORT

FROM (month, day, year)

TO (month, day, year)

11. STATUS OF

FEDERAL

CASH

(See specific
instructions
on the back)

a. Cash on hand beginning of reporting period

\$

b. Letter of credit withdrawals

c. Treasury check payments

d. Total receipts (Sum of lines b and c)

e. Total cash available (Sum of lines a and d)

f. Gross disbursements

g. Federal share of program income

h. Net disbursements (Line f minus line g)

i. Adjustments of prior periods

j. Cash on hand end of period

\$

12. THE AMOUNT SHOWN
ON LINE 11j, ABOVE,
REPRESENTS CASH RE-
QUIREMENTS FOR THE
ENSUING

Days

13. OTHER INFORMATION

a. Interest income

\$

b. Advances to subgrantees or subcontractors

\$

14. REMARKS (Attach additional sheets of plain paper, if more space is required)

15.

CERTIFICATION

I certify to the best of my knowledge and belief that this report is true in all respects and that all disbursements have been made for the purpose and conditions of the grant or agreement.

AUTHORIZED

CERTIFYING

OFFICIAL

SIGNATURE

TYPED OR PRINTED NAME AND TITLE

DATE REPORT SUBMITTED

TELEPHONE (Area Code,
Number, Extension)

THIS SPACE FOR AGENCY USE

INSTRUCTIONS

Public reporting burden for this collection of information is estimated to average 120 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0003), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

Please type or print legibly. Items 1, 2, 8, 9, 10, 11d, 11e, 11h, and 15 are self explanatory, specific instructions for other items are as follows:

Item	Entry	Item	Entry
3	Enter Employer Identification Number (EIN) assigned by the U.S. Internal Revenue Service or the FICE (institution) code.		benefits if treated as a direct cost, interdepartmental charges for supplies and services, and the amount to which the recipient is entitled for indirect costs.
4	If this report covers more than one grant or other agreement, leave items 4 and 5 blank and provide the information on Standard Form 272A, Report of Federal Cash Transactions - Continued. Enter Federal grant number, agreement number, or other identifying numbers if requested by sponsoring agency.	11g	Enter the Federal share of program income that was required to be used on the project or program by the terms of the grant or agreement.
5	This space reserved for an account number or other identifying number that may be assigned by the recipient.	11i	Enter the amount of all adjustments pertaining to prior periods affecting the ending balance that have not been included in any lines above. Identify each grant or agreement for which adjustment was made, and enter an explanation for each adjustment under "Remarks." Use plain sheets of paper if additional space is required.
6	Enter the letter of credit number that applies to this report. If all advances were made by Treasury check, enter "NA" for not applicable and leave items 7 and 8 blank.	11j	Enter the total amount of Federal cash on hand at the end of the reporting period. This amount should include all funds on deposit, imprest funds, and undeposited funds (line e, less line h, plus or minus line i).
7	Enter the voucher number of the last letter-of-credit payment voucher (Form TUS 5401) that was credited to your account.	12	Enter the estimated number of days until the cash on hand, shown on line 11j, will be expended. If more than three days cash requirements are on hand, provide an explanation under "Remarks" as to why the drawdown was made prematurely, or other reasons for the excess cash. The requirement for the explanation does not apply to prescheduled or automatic advances.
11a	Enter the total amount of Federal cash on hand at the beginning of the reporting period including all of the Federal funds on deposit, imprest funds, and undeposited Treasury checks.	13a	Enter the amount of interest earned on advances of Federal funds but not remitted to the Federal agency. If this includes any amount earned and not remitted to the Federal sponsoring agency for over 60 days, explain under "Remarks." Do not report interest earned on advances to States.
11b	Enter total amount of Federal funds received through payment vouchers (Form TUS 5401) that were credited to your account during the reporting period.	13b	Enter the amount of advance to secondary recipients included in item 11h.
11c	Enter the total amount of all Federal funds received during the reporting period through Treasury checks, whether or not deposited.	14	In addition to providing explanations as required above, give additional explanation deemed necessary by the recipient and for information required by the Federal sponsoring agency in compliance with governing legislation. Use plain sheets of paper if additional space is required.
11f	Enter the total Federal cash disbursements, made during the reporting period, including cash received as program income. Disbursements as used here also include the amount of advances and payments less refunds to subgrantees or contractors; the gross amount of direct salaries and wages, including the employee's share of		

FINANCIAL STATUS REPORT
(Long Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted		2. Federal Grant or Other Identifying Number Assigned By Federal Agency		OMB Approval No. 0348-0039	Page of pages
3. Recipient Organization (Name and complete address, including ZIP code)					
4. Employer Identification Number		5. Recipient Account Number or Identifying Number		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions) From: (Month, Day, Year)		To: (Month, Day, Year)		9. Period Covered by this Report From: (Month, Day, Year)	
To: (Month, Day, Year)					
10. Transactions:					
		I Previously Reported	I This Period	III Cumulative	
a. Total outlays					
b. Refunds, rebates, etc.				0.00	
c. Program income used in accordance with the deduction alternative					
d. Net outlays (Line a, less the sum of lines b and c)					
Recipient's share of net outlays, consisting of:					
e. Third party (in-kind) contributions					
f. Other Federal awards authorized to be used to match this award					
g. Program income used in accordance with the matching or cost sharing alternative					
h. All other recipient outlays not shown on lines e, f or g					
i. Total recipient share of net outlays (Sum of lines e, f, g and h)					
j. Federal share of net outlays (line d less line i)					
k. Total unliquidated obligations					
l. Recipient's share of unliquidated obligations					
m. Federal share of unliquidated obligations					
n. Total Federal share (sum of lines j and m)					
o. Total Federal funds authorized for this funding period					
p. Unobligated balance of Federal funds (Line o minus line n)					
Program income, consisting of:					
q. Disbursed program income shown on lines c and/or g above					
r. Disbursed program income using the addition alternative					
s. Undisbursed program income					
t. Total program income realized (Sum of lines q, r and s)					
11. Indirect Expense	a. Type of Rate (Place "X" in appropriate box) <input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed				
	b. Rate	c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title				Telephone (Area code, number and extension)	
Signature of Authorized Certifying Official				Date Report Submitted	

FINANCIAL STATUS REPORT

(Long Form)

Public reporting burden for this collection of information is estimated to average 30 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0039), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET.

Please type or print legibly. The following general instructions explain how to use the form itself. You may need additional information to complete certain items correctly, or to decide whether a specific item is applicable to this award. Usually, such information will be found in the Federal agency's grant regulations or in the terms and conditions of the award (e.g., how to calculate the Federal share, the permissible uses of program income, the value of in-kind contributions, etc.). You may also contact the Federal agency directly.

Item	Entry	Item	Entry
1, 2 and 3.	Self-explanatory.	10b.	Enter any receipts related to outlays reported on the form that are being treated as a reduction of expenditure rather than income, and were not already netted out of the amount shown as outlays on line 10a.
4.	Enter the Employer Identification Number (EIN) assigned by the U.S. Internal Revenue Service.	10c.	Enter the amount of program income that was used in accordance with the deduction alternative.
5.	Space reserved for an account number or other identifying number assigned by the recipient.	Note:	Program income used in accordance with other alternatives is entered on lines q, r, and s. Recipients reporting on a cash basis should enter the amount of cash income received; on an accrual basis, enter the program income earned. Program income may or may not have been included in an application budget and/or a budget on the award document. If actual income is from a different source or is significantly different in amount, attach an explanation or use the remarks section.
6.	Check yes only if this is the last report for the period shown in item 8.	10d.	e, f, g, h, i and j. Self-explanatory.
7.	Self-explanatory.	10k.	Enter the total amount of unliquidated obligations including unliquidated obligations to subgrantees and contractors. Unliquidated obligations on a cash basis are obligations incurred, but not yet paid. On an accrual basis, they are obligations incurred, but for which an outlay has not yet been recorded. Do not include any amounts on line 10k that have been included on lines 10a and 10j. On the final report, line 10k must be zero.
8.	Unless you have received other instructions from the awarding agency, enter the beginning and ending dates of the current funding period. If this is a multi-year program, the Federal agency might require cumulative reporting through consecutive funding periods. In that case, enter the beginning and ending dates of the grant period, and in the rest of these instructions, substitute the term "grant period" for "funding period."	10l.	Self-explanatory.
9.	Self-explanatory.	10m.	On the final report, line 10m must also be zero.
10.	The purpose of columns I, II, and III is to show the effect of this reporting period's transactions on cumulative financial status. The amounts entered in column I will normally be the same as those in column III of the previous report in the same funding period. If this is the first or only report of the funding period, leave columns I and II blank. If you need to adjust amounts entered on previous reports, footnote the column I entry on this report and attach an explanation.	10n.	o, p, q, r, s and t. Self-explanatory.
10a.	Enter total gross program outlays. Include disbursements of cash realized as program income if that income will also be shown on lines 10c or 10g. Do not include program income that will be shown on lines 10r or 10s. For reports prepared on a cash basis, outlays are the sum of actual cash disbursements for direct costs for goods and services, the amount of indirect expense charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subrecipients. For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received, for services performed by employees, contractors, subgrantees and other payees, and other amounts becoming owed under programs for which no current services or performances are required, such as annuities, insurance claims, and other benefit payments.	11a.	Self-explanatory.
		11b.	Enter the indirect cost rate in effect during the reporting period.
		11c.	Enter the amount of the base against which the rate was applied.
		11d.	Enter the total amount of indirect costs charged during the report period.
		11e.	Enter the Federal share of the amount in 11d.
		Note:	If more than one rate was in effect during the period shown in item 8, attach a schedule showing the bases against which the different rates were applied, the respective rates, the calendar periods they were in effect, amounts of indirect expense charged to the project, and the Federal share of indirect expense charged to the project to date.

Financial Status Report (SF-269) Quick Reference Sheet **Administration for Children and Families – Head Start, Region III**

The following reference sheet addresses the most common SF-269 questions received from Head Start and Early Head Start grantees. See page one for additional information regarding due dates and Regional Office contact information.

FINANCIAL STATUS REPORT **(Long Form)**

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted DHHS - ACF - Region III		2. Federal Grant or Other Identifying Number Assigned by Federal Agency 03CH0001/01		OMB Approval No. 0348-0039	Page of 1
3. Recipient Organization (Name and complete address, including ZIP code) Head Start Grantee					
4. Employer Identification Number 00-0000000		5. Recipient Account Number or Identifying Number		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual					
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) 1/1/2004		To: (Month, Day, Year) 12/31/2004		9. Period Covered by this Report From: (Month, Day, Year) 1/1/2004	
				To: (Month, Day, Year) 12/31/2004	
10. Transactions					
		Previously Reported	This Period	Cumulative	
a. Total outlays		393,628.00	424,828.00	818,456.00	
b. Refunds, rebates, etc.				0.00	
c. Program income used in accordance with the deduction alternative				0.00	
d. Net outlays (Line a, less the sum of lines b and c)		393,628.00	424,828.00	818,456.00	
Recipient's share of net outlays, consisting of:					
e. Third party (in-kind) contributions		71,538.00	92,153.00	163,691.00	
f. Other Federal awards authorized to be used to match this award				0.00	
g. Program income used in accordance with the matching or cost sharing alternative				0.00	
h. All other recipient outlays not shown on lines e, f, or g				0.00	
Total (Sum of lines e, f, g, and h)		71,538.00	92,153.00	163,691.00	
i. Federal share of net outlays (line d less line i)		322,090.00	332,675.00	654,765.00	
k. Total unliquidated obligations					
l. Recipient's share of unliquidated obligations					
m. Federal share of unliquidated obligations				654,765.00	
n. Total Federal share (sum of lines j and m)				654,765.00	
o. Total Federal funds authorized for this funding period				655,765.00	
p. Unobligated balance of Federal funds (Line o minus line n)				1,000.00	
Program income, consisting of:					
q. Disbursed program income shown on lines c and/or g above					
r. Disbursed program income using the addition alternative					
s. Undisbursed program income					
t. Total program income realized (Sum of lines q, r and s)				0.00	
11. Indirect Expense					
a. Type of Rate (Place "X" in appropriate box) <input checked="" type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed					
b. Rate		c. Base	d. Total Amount	e. Federal Share	
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation.					
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.					
Typed or Printed Name and Title			Telephone (Area code, number and extension)		
Signature of Authorized Certifying Official			Date Report Submitted January 27, 2005		

Grant number AND year of support. Reference Financial Assistance Award (FAA) Box 3.

Include IRS issued Employer Identification Number.

Budget period dates. Reference FAA Box 8.

Verify if 'cash' or 'accrual' basis is used.

Ensure "YES" is checked for a final report and "NO" is checked for semi-annual reports.

Box 9 should reflect the entire budget period for a final report. For semi-annual reports, indicate for which six month period the report corresponds.

Please refer to the following criteria for lines f-h:
☒ Community Development Block Grants (CDBG) in line 10f.
☒ All program income should be reported in line 10g not 10g.
☒ USDA funds should be reported in Box 12 not in lines f-h.

Line 10i should be at least 25% of line 10n unless a waiver has been given.

On a FINAL report, the amount in lines 10k-m should reflect the grantees' financial statements.

Total Federal Share should not exceed the Total Federal Funds Authorized (line 10o).

Only funding awarded within the budget period should be reported here. For the budget period amount, reference Box 16 of the most recent FAA.

ALL program income should be reported in line 10r and 10t. Reference FAA box 24.

Report indirect cost information in boxes 11a-e. Should equal the current approved indirect cost rate agreement for the budget period.

For HS/EHS grantees, USDA reimbursements, administrative costs, T & TA, program income and obligated funding by CAN No. All comments should be reported here.

Generally Accepted Accounting Principles (GAAP) designate that the report be signed by an official other than the person responsible for preparing the report.

Ensure the form is Revision 7-97.
<http://www.whitehouse.gov/omb/grants/sf269.pdf>

Previous Edition Usable
 NSN 7540-01-012-4285

269-104
 200-498 P.O. 139 (Face)

Standard Form 269 (Rev. 7-97)
 Prescribed by OMB Circulars A-102 and A-110