Attachment V

Eastern West Virginia Community Action Agency, Inc. Accounting & Financial Policies and Procedures Manual

Eastern West Virginia Community Action Agency, Inc. (dba Eastern Action)

Accounting & Financial Policies and Procedures Manual

Approved by Board June 28, 2021

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INTRODUCTION

This manual is intended to provide an overview of the accounting and financial policies and procedures for Eastern West Virginia Community Action Agency, Inc., which will be referred to as Eastern Action or the Agency throughout this manual.

Eastern West Virginia Community Action Agency, Inc. is incorporated in the state of West Virginia. Eastern West Virginia Community Action Agency, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit corporation. Eastern West Virginia Community Action Agency, Inc. has registered the trade name Eastern Action with the WV Secretary of State's Office. Eastern Action's tax-exempt mission is to:

Eastern West Virginia Community Action, with our partners, pursues positive solutions to fight poverty; guiding people and communities to self-sufficiency, independence, and well-being.

This manual documents the financial operations of the Agency. Its primary purpose is to formalize accounting and financial policies and selected procedures for all staff who have a role in accounting processes and to document financial internal controls.

If a particular grant or award has provisions that are more restrictive than those in this manual, the more restrictive provisions will be followed only for that grant or award.

The Agency allows an individual's supervisor to provide approvals or reviews in an individual's absence when the absent individual is included in a policy or procedure requiring an approval or review. For example, policies documenting approvals or reviews to be completed by the Controller can be performed by the Chief Executive Officer in the Controller's absence.

Effective Date(s) of Accounting and Financial Policies

The effective date of all accounting and financial policies described in this manual is June 28, 2021. If a policy is added or modified subsequent to this date, the effective date of the new/ revised policy will be indicated parenthetically immediately following the policy heading.

The contents of this manual were approved as official policy and documented procedures of the Agency by the Board of Directors, Chief Executive Officer, and Controller. All Eastern Action staff members are bound by the policies and procedures.

Fiscal Year-End of Organization

Eastern Action will operate on a fiscal year that begins on April 1 and ends on March 31. Any changes to the operating year of the Agency must be ratified by majority vote of Eastern Action's Board of Directors.

Basis of Accounting

Eastern Action's fiscal year-end financial statements are prepared using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP).

Accounting Software

Accounting transactions will be processed and reports produced using Abilia MIP Accounting Software.

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Board of Directors

Eastern Action is governed by its Board of Directors, which is responsible for the financial oversight of the Agency by:

1. Planning for the future.
2. Establishing broad policies, including financial and personnel policies and procedures.
3. Approving grant applications, if required by the funder.
4. Hiring and communicating with the independent auditor.
5. Reviewing and approving the annual audit.
6. Reviewing financial information.
7. Identifying and proactively dealing with emerging issues.
8. Interpreting the Agency's mission to the public.
9. Soliciting prospective contributors and supporters.
10. Hiring, evaluating, and working with the Chief Executive Officer.
11. Establishing and maintaining programs and systems designed to ensure compliance with terms of contracts and grants.
12. Authorizing establishment of all bank accounts and authorized disbursement signers (check signers).
13. Authorizing all borrowings of funds and establishing financing arrangements (including credit card and charge accounts).

The Chief Executive Officer is responsible for the day-to-day oversight and management of Eastern Action.

Board of Directors Audit Responsibilities

The Board's audit responsibilities include, but will not be limited to, the following:

1. Appointment of, and communication with, the Agency's independent financial statement 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 Eastern Action or its employees
5. Making policy and other recommendations to the Board of Directors regarding matters arising out of the financial statement audit

In fulfilling these duties and responsibilities, the Board is entitled to examine any and all documents within the control of Eastern Action and its employees. In addition, the Board will have the authority to contract with independent contractors in the fulfillment of the Board's responsibilities.

Board of Directors Committee Structure

The Board of Directors will form committees to assist the Board in fulfilling its responsibilities. These committees are responsible for the review of particular programs and providing recommendations to the full Board. Standing board-level committees of Eastern Action consist of the following:

1. Finance Committee
2. Personnel Committee
3. Equal Opportunity Committee
4. Planning Committee
5. Executive Committee

See the Agency's by-laws for Board and committee details. However, roles of committees with direct responsibilities for the financial affairs of the Agency are further described in this manual. These committees will 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 Eastern Action. Functions of the Finance Committee include:

1. Review and recommendation of the Agency's annual budget (prepared by the staff) for final approval by the Board of Directors.
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).
5. Monitoring of actual vs. budgeted financial performance.
6. Oversight of reserve funds.
7. Review of financial procedures.
8. Recommend the hiring of an independent financial statement auditor.
9. Review and approve the final audited financial statements.
10. Recommend an independent financial statement auditor to the full Board for its approval.
11. Oversee the annual audit process.
12. Communicate directly with the independent financial statement auditor regarding the annual audit, as described in the Agency's bylaws.
13. Review the financial statements and other financial information provided to the public, including annual information returns (i.e. IRS Form 990).
14. Update, approve, and oversee internal controls and compliance with approved policies and procedures.
15. The Finance Committee also serves as the primary point of contact for any employee who suspects that fraud has been committed against the Agency or by one of its employees or Board members.

The full Board will review and approve the final audited financial statements and any other communications received from the auditor regarding internal controls, illegal acts, or fraud.

Also see ANNUAL AUDIT section of this manual.

The Roles of the Chief Executive and Staff

The Board of Directors hires the Chief Executive Officer, who reports directly to the Board. The Chief Executive Officer is responsible for hiring and evaluating Program Managers for each of the Agency's departments. Each Program Manager reports to the Chief Executive Officer.

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

FINANCE DEPARTMENT OVERVIEW

Organization Structure

The Finance Department typically consists of staff positions that manage and process financial information for Eastern Action. The following positions may comprise the Finance Department:

- Controller
- Staff Accountant
- Senior Accounting Clerk
- Accounting Clerk

Other officers and employees of Eastern Action who have financial responsibilities are as follows:

- Chief Executive Officer
- Program Managers
- Treasurer – Board level
- Finance Committee – Board level
- Full Board of Directors

Department Responsibilities

The primary responsibilities of the Finance Department consist of:

- General ledger transactions and reconciliations
- Budgeting
- Cash and investment management
- Asset management
- Grants and contracts administration
- Purchasing
- Receivables management
- Invoicing and billing
- Receipts
- Accounts payable
- Disbursements
- Payroll
- Financial statement preparation
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government financial reporting requirements
- Annual financial statement audit and fiscal monitoring visits
- Leases
- Insurance
- Financial record retention

Standards for Financial Management Systems

In accordance with 2 CFR Part 200.302(b), of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Eastern Action maintains a financial management system that provides for the following. Specific procedures to carry out these standards are detailed in the appropriate sections of this manual.

1. Identify, in all its accounts, all federal awards received and expended and the federal programs under which they were received. *(2 CFR Part 200.302(b)(1))*

2. Provide accurate, current, and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements of *2 CFR Parts 200.328, Financial Reporting, and 200.329, Monitoring and Reporting Program Performance*, and/or the award.

3. Maintain records that identify adequately the source and application of funds for federally funded activities. These records will contain information pertaining to federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, revenue, and interest, and be fully supported by source documentation.

4. Establish effective control over and accountability for all funds, property, and other assets. Eastern Action will adequately safeguard all such assets and ensure they are used solely for authorized purposes.

5. Prepare comparison of expenditures with budget amounts for each award.

6. Establish written procedures to minimize the time elapsing between the transfer of funds and disbursement by Eastern Action. Advance payments will be limited to the minimum amount needed and be timed to be in accordance with actual, immediate cash requirements. *(2 CFR Part 200.305 Payment.)* See Eastern Action's written procedures in the CASH DRAWDOWNS OF ADVANCES OF FEDERAL FUNDS section of this manual.

7. Establish written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the *2 CFR Part 200 Subpart E, Cost Principles*, and the terms and conditions of the award. See Eastern Action's written procedures in the CRITERIA FOR ALLOWABILITY OF COSTS section of this manual.

BUSINESS CONDUCT

Practice of Ethical Behavior

Eastern Action requires Board members, committee members, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities, and all directors, committee members, and employees to comply with all applicable laws and regulatory requirements. Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. The policies and reputation of Eastern Action depend to a large extent on the following considerations.

- Each employee must apply her or 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.
- Each employee is responsible for applying common sense in business decisions where specific rules do not provide all the answers.

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

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with Eastern Action 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 within the Agency 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?

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

Directors, Board members, Policy Council members, Committee members, managers, supervisors, employees, and volunteers must carefully weigh 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.

Confidentiality Policy

Eastern Action respects the privacy of its clients, former clients, donors, staff, and volunteers. As a basic component of business ethics, employees, volunteers, and board members will take care to ensure that personal information, financial information, and proprietary information remain confidential and not be disclosed or discussed with anyone without permission or authorization from the Chief Executive Officer. Care should also be taken to ensure that unauthorized individuals do not overhear any discussion of confidential information and that documents containing confidential information are not left in the open or inadvertently shared.

Confidentiality is the safeguarding of privileged information. Eastern Action is provided with personal and private information, including protected personally identifiable information (PPII), to provide services to clients and participants. Unauthorized disclosure of confidential information could result in legal liability, damage to relationship with client, staff, and public. Violation of this policy and any statutes regarding confidentiality may result in termination of employment or other corrective action.

Compliance with Laws, Regulations, and Agency Policies

Eastern Action 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.
- The disregard or circumvention of Eastern Action policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly prohibited. The performance of all levels of employees will be measured against implementation of the provisions of these standards. Employees will cooperate with management and authorities regarding any investigation into the violation of policies and statutes.

CONFLICTS OF INTEREST

Overview of Conflicts of Interest

In the course of business, situations may arise in which an Agency decision maker has a conflict of interest, or in which the process of making a decision may create an appearance of a conflict of interest. This conflict of interest policy is to protect the tax-exempt Organization's interest when it considers entering into a transaction or arrangement that might benefit the private interest of a director or employee of the Agency or might result in a possible excess benefit transaction.

All directors and employees have an obligation to:

1. Avoid conflicts of interest, or the appearance of conflicts, between their personal interests and those of the Agency in dealing with outside entities or individuals
2. Disclose real and apparent conflicts of interest to the Board of Directors
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict

Interested Persons

All employees and directors of Eastern Action owe a duty of loyalty to the Agency. This duty necessitates that in serving the Agency they act solely in the interests of the Agency, not in their personal interests or in the interests of others.

The persons covered under this policy will hereinafter be referred to as "interested persons." Interested persons include all members of the Board of Directors and all employees, as well as persons with the following relationships to directors or employees:

1. Spouses or domestic partners
2. Brothers and sisters
3. Parents, children, grandchildren, and great-grandchildren
4. Spouses of individuals listed in 2 and 3
5. Corporations, partnerships, limited liability companies (LLCs), and other forms of businesses in which an employee or director, either individually or in combination with individuals listed in 1, 2, 3, or 4, collectively possess a 35% or more ownership or beneficial interest
6. Entity or business that employs, or is about to employ, any of the parties indicated here
7. Any individual related by blood or affinity whose close association with an employee or director is the equivalent of a family relationship

Also see TRANSACTIONS WITH INTERESTED PERSONS AND RELATED-PARTIES section of this manual.

Understanding Conflict of Interest

Conflicts of interest arise when the interests of an interested party may be seen as competing with those of the Agency. Conflicts of interest may be financial (where an interested party benefits financially directly or indirectly) or non-financial (e.g., seeking preferential treatment, using confidential information).

A conflict of interest arises when an interested party involved in making a decision is in the position to benefit, directly or indirectly, from his or her dealings with the Agency or person conducting business with the Agency. (A potential conflict of interest exists when the director or employee, or his or her immediate family {spouse, domestic partner, parent, child, brother, sister and spouse of parent, child, brother, or sister} owes/receives more than 1% of the benefiting business/profits.)

Examples of conflicts of interest include, but are not limited to, situations in which an officer, board member, employee, or any interested person:

1. Negotiates or approves a contract, purchase, or lease on behalf of the Agency and has a direct or indirect interest in, or receives personal benefit from, the entity or individual providing the goods or services.
2. Negotiates or approves a contract, sale, or lease on behalf of the Agency and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services.
3. Employs, is about to employ, or approves the employment of, or supervises a person who is, an immediate family member of the director or employee.
4. Sells products or services in competition with the Agency.
5. Uses the Agency's facilities, other assets, employees, or other resources for personal gain.
6. Receives a substantial gift from a contractor, if the director or employee is responsible for initiating or approving purchases from that contractor.

Organizational Conflicts of Interest

All organizational relationships will be identified and disclosed to the Board of Directors on an annual basis or as they are made known. Program Managers are responsible for performing a thorough

analysis of potential proposal conflicts of interest to ensure impartiality and objectivity in performance of the contractual objectives.

Each individual contracting situation will be examined on the basis of its particular facts and the nature of the proposed work. Eastern Action will exercise common sense, good judgment, and sound discretion when evaluating the decision on whether a significant potential conflict exists and, if it does, the development of an appropriate means for resolving it. This evaluation will help prevent the existence of conflicting roles that might bias judgment; and help preventing unfair competitive advantage.

Honoraria Acceptance

An Eastern Action employee will not accept an honorarium for an activity conducted where:

- Agency-reimbursed travel, work time, or resources are used
- Activity can be construed as having a relationship to the employee's position with Eastern Action
- Such activity would be considered official duty on behalf of Eastern Action
- A relationship exists between the activity and the employee's position with Eastern Action if the employee would not participate in the activity in the same manner or capacity if he or she did not hold his or her position with Eastern Action. The employee should make every attempt to avoid the appearance of impropriety.

An employee may receive an honorarium for activities performed during regular non-working hours or while on annual leave if the following conditions are met:

- All expenses are the total responsibility of the employee or the sponsor of the activity in which the employee is participating.
- The activity has no relationship to the employee's Eastern Action duties.

Nothing in this policy will be interpreted as preventing the payment to Eastern Action by an outside source for actual expenses incurred by an employee in an activity, or the payment of a fee to Eastern Action (in lieu of an honorarium to the individual) for the services of the employee. Any such payments made to Eastern Action should be deposited to the Eastern Action's account and an appropriate entry should be coded to the same program or department to which the employee's corresponding time and related expenses were charged.

Disclosure Requirements

A director or employee who believes that he or she may be perceived as having a conflict of interest in a discussion or decision must disclose that conflict to the group making the decision. Most concerns about conflicts of interest may be resolved and appropriately addressed through prompt and complete disclosure.

Therefore, Eastern Action's policies and procedures include the following:

1. At the inception of employment or volunteer service to the Agency, and on an annual basis thereafter, the Finance Department will distribute a list of all contractors with whom the agency

has transacted business at any time during the preceding year, along with a copy of the disclosure statement to all members of the Board of Directors, the Chief Executive Officer, members of senior management, and employees with purchasing and/or hiring responsibilities or authority. Using the prescribed form, these individuals will inform, in writing and with a signature, the Chief Executive Officer and the chair of the Finance Committee, of all potential reportable conflicts.

2. During the year, these individuals will submit a signed, updated disclosure form if any new potential conflict arises.

3. The Chief Executive Officer will review all forms completed by employees, and the Finance Committee will review all forms completed by directors and the Chief Executive Officer and determine appropriate resolution in accordance with the next section of this policy.

4. Prior to management, board, or committee action on a contract or transaction involving a conflict of interest, a staff, director, or committee member having a conflict of interest and who is in attendance at the meeting will disclose all facts material to the conflict of interest. Such disclosure will be included in the minutes of the meeting.

5. A staff, director, or committee member who plans not to attend a meeting at which he or she has a reason to believe that the management, board, or committee will act on a matter in which the person has a conflict of interest will disclose to the chair of the meeting all facts material to the conflict of interest. The chair will report the disclosure at the meeting and the disclosure will be reflected in the minutes of the meeting.

6. A person who has a conflict of interest will not participate in or be permitted to hear management's, the board, or the committee's discussion of the matter except to disclose material facts and to respond to questions. Such person will not attempt to exert his or her personal influence with respect to the matter.

7. A person who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting will not be counted in determining a quorum for purposes of the vote. The person having a conflict of interest may not vote on the contract or transaction and will not be present in the meeting room when the vote is taken, unless the vote is by secret ballot. Such person's ineligibility to vote and abstention from voting will be reflected in the minutes of the meeting. For purposes of this paragraph, a member of the Board of Directors of Eastern Action has a conflict of interest when he or she stands for election as an officer or for re-election as a member of the Board of Directors.

8. If required by federal awarding agencies or pass-through entity, Eastern Action will notify those agencies in writing of any *potential* conflict of interest. (*2 CFR Part 200.112, Conflict of interest)*

9. The Board of Directors will review and sign the Conflicts of Interest policies of the Agency every year.

Resolution of Conflicts of Interest

All real or apparent conflicts of interest will be disclosed to the Finance Committee and the Chief Executive Officer of the Agency. Conflicts will be resolved as follows:

- The Finance Committee will be responsible for making all decisions concerning resolutions of conflicts involving directors, the Chief Executive Officer, and other members of senior management.
- The chair of the committee will be responsible for making all decisions concerning resolutions of conflicts involving Finance Committee members.
- The chair of the Board of Directors will be responsible for making all decisions concerning resolutions of the conflict involving the chair of the Finance Committee.
- The Chief Executive Officer will be responsible for making all decisions concerning resolutions of conflicts involving employees below the senior management level, subject to the approval of the Finance Committee.

An employee or director may appeal the decision that a conflict (or appearance of conflict) exists as follows:

- An appeal must be directed to the chair of the Board.
- Appeals must be made within 30 days of the initial determination.
- Resolution of the appeal will be made by vote of the full Board of Directors.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, will abstain from participating in, discussing, or voting on the resolution, unless their discussion is requested by the remaining members of the Board.

Disciplinary Action for Violations of This Policy

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 Agency 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 or 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.

A Board member who violates this policy will be removed from the Board of Directors.

POLICY ON SUSPECTED MISCONDUCT

Overview of Misconduct (Ethics, Fraud)

See section 5 of the Employee Handbook.

Whistleblower Protection

See Appendix 1 for Whistleblower Policy

SECURITY

General Office Security

During normal business hours, all visitors are required to check in with the Receptionist. After hours, a security key is required for access to the offices of Eastern Action. Keys are issued only to employees and to janitorial contractors of Eastern Action.

At the close of daily business hours, or other times as needed, the last employee exiting the facility is responsible for locking the facility's doors.

Finance Department

Eastern Action's blank check stock will be stored in a 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 will be by keys in the possession of the Controller, Staff Accountant and Accounting Clerk (Senior).

Access to Electronically Stored Accounting Data

Eastern Action utilizes passwords to restrict access to accounting software, modules, and data. Only duly authorized accounting personnel with data input responsibilities will be provided login credentials for data entry capability in the system. Program Managers and Board Members may have view-only access to the accounting software for reporting purposes/ dashboard reporting, as approved by the Chief Executive Officer. Information technology staff members are restricted from accessing accounting software.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis. Administration of passwords will be performed by a responsible individual independent of programming functions.

Each password enables a user to gain access to only those software, module, and data files necessary for each employee's required duties. On an annual basis, Eastern Action performs a review of accounting software users to ensure they have the appropriate access levels. Unnecessary access will be rescinded.

Storage of Sensitive Data

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

1. Other Agency departments such as Weatherization, ERRP, and Emergency Assistance, etc.
2. Electronic or on-line storage

The Agency's policy is to minimize the storage of sensitive data outside the Finance Department by shredding documents with such data or deleting the sensitive data from documents that are stored

outside the Accounting Department as soon as possible and in accordance with the Agency's RECORD RETENTION policies.

Please see the Agency's technology policies for standards for electronic and on-line storage and the RECORDS RETENTION policy in appendix 2 of this manual for retention periods.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is the collection of all asset, liability, net assets, revenue, and expense accounts. It is used to accumulate all financial transactions and is supported by subsidiary ledgers that provide details for certain accounts. The general ledger is the foundation for the accumulation of data and production of reports.

Chart of Accounts Overview

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

Eastern Action's chart of accounts is comprised of five types of accounts:

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

In compliance with the Standards for Financial Management Systems, Eastern Action will identify in its accounts all federal awards received and expended and the federal programs under which they were received. *(2 CFR Part 200.302(b)(1))* To comply with this regulation, Eastern Action's account numbers will be used to identify federal awards received and expended. Each account number will include a two-digit fund number, a four-digit general ledger code a five-digit project code, and a four-digit grant code.

Distribution of Chart of Accounts

All Eastern Action employees involved with account coding or budgetary responsibilities will be issued a current chart of accounts, or the section of the chart of accounts applicable to their program. As the chart of accounts is revised, an updated copy of the chart of accounts will be promptly distributed to these individuals.

Control of Chart of Accounts

The Controller monitors and controls the chart of accounts, including all account maintenance, such as additions and deletions. Any additions or deletions of accounts must be approved by the Controller, who ensures that the chart of accounts is consistent with the Organizational structure of Eastern Action and meets the needs of each division and department.

Accounting Estimates

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

1. Allowance for doubtful accounts/ Uncollectible receivables/ Provisions for losses/ Promises to give
2. Amount of obsolete inventory
3. Useful lives and residual values of property and equipment
4. Fair market values of investments
5. Fair market values of donated assets
6. Values of contributed services
7. Cost allocation calculations

The Controller will reassess, review, and approve all estimates on a yearly basis. All conclusions, bases, and other elements associated with each accounting estimate will be documented in writing. All material estimates and changes in estimates will be disclosed to the Finance Committee and the external audit firm.

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

Journal Entries

All general ledger entries that do not originate from a subsidiary ledger will be supported by journal vouchers or other documentation, including an explanation of each such entry. Examples of such journal entries are:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Nonrecurring accruals of revenue and expenses
4. Recording Invoices and Funding Requests

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of capital assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue

Recurring journal entries will be supported by a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, a journal voucher.

All journal entries not originating from subsidiary ledgers will be authorized in writing by the Controller by initialing or signing the entries.

Reconciliation of Accounts

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

Reconciliations will be reviewed by the Controller or designated accounting staff who was not part of preparing the reconciliation or supporting documentation. Any discrepancies will be immediately investigated and resolved in a timely manner.

Spreadsheet Management

Spreadsheets are an integral component of the Eastern Action's information and decision-making framework to assist in the tracking and processing of financial and business information. Significant spreadsheets used by the Agency support the following functions:

- **Financial reporting**– these spreadsheets directly determine financial statement transaction amounts or balances that are subsequently recorded in the general ledger, act as a key control in the financial reporting process (e.g. balancing and/or reconciling significant accounts) or create or support financial reports or disclosures.
- **Analytical**- these spreadsheets are used to support the management decision-making process.
- **Operational**- these spreadsheets are used to facilitate tracking and monitoring of workflow to support operational processes, such as listing of open claims, unpaid invoices, or other information.

Significant spreadsheets will have the following controls to help ensure data integrity and reduce risk of data loss:

- **Access control**- significant spreadsheets will be saved on a secured organization-controlled, cloud-based server and not a C:\ drive or personal hard drive. Access to the spreadsheet will be restricted to only those with a legitimate business purpose to access the file.
- **Input control**- data cells that calculate, summarize, or contain a formula may be locked.
- **Change control**- Revised spreadsheets will be referenced with the version number and publication date.
- **Documentation or record control**- spreadsheets that are printed to comply with record retention policies, grant documentation requirements, will include standard headers and footers that identify the Eastern Action, Grant, and spreadsheet name if not identified on the spreadsheet.

ADMINISTRATION OF FEDERAL AWARDS

Definitions

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

See REVENUE section for definitions of, types of revenue received by Eastern Action.

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals will be reviewed by the Controller prior to submission to government agencies or other funding sources to ensure the proposed budget includes all appropriate costs. All appropriate costs include the funding source providing its fair share of the Agency's administrative, management, or other agency-wide costs. Eastern Action may refuse to consider grants based on its analysis of the cost/benefit of administering such awards and all financial resources available to appropriately cover all reasonable costs. Final proposals will be reviewed and approved in writing by the Board of Directors and the Chief Executive Officer.

Post-Award Procedures

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

1. Verify the terms and conditions of the grant or contract. The Finance Department and Program Managers will review the terms, time periods, award amounts, and expected expenditures associated with the award. An Assistance Listings Number (CFDA) will be determined for each federal award. All reporting requirements under the contract or award will be summarized.
2. Create new grant segment numbers and distribution codes. New codes will be established for the receipt and expenditure categories in line with the grant or contract budget. Also see CONTROL OF CHART OF ACCOUNTS section of this manual.
3. Gather documentation. See the DOCUMENT ADMINISTRATION section for details.

Compliance with Laws, Regulations, and Provisions of Awards

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

1. For each federal award, an employee within the department responsible for administering the award will be designated as grant manager.
2. Each Grant Manager will be encouraged to attend a training on grant management as early in their functioning as a grant manager as practical. Thereafter, all grant managers will be encouraged to attend refresher/update courses on grant management.

3. The grant manager will 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, identify (if applicable) key compliance requirements and references to specific laws and regulations.
   b. Review *2 CFR Part 200 Appendix XI, Compliance Supplement* (updated annually) published by the Office of Management and Budget (OMB) for compliance requirements unique to the award and for compliance requirements common to all federal awards.
   c. Review the section of the Assistance Listing Number (CFDA) applicable to the award.
   d. The grant manager will communicate grant requirements to those who will be responsible for carrying them out or be impacted by them.

4. The Finance Department will forward copies of applicable; provide links or access to grant regulations to the grant manager (such as OMB regulations, pertinent sections of compliance supplements, and other regulations).
5. The grant manager and/or the Finance Department will identify and communicate any special changes in financial policies and procedures necessitated by federal awards as a result of the review of each award.
6. The grant manager will take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard will include, but not be limited to, reviewing subsequent grant and contract renewals, reviewing annual revisions to *2 CFR Part 200 Appendix XI, Compliance Supplement*, and communications with federal awarding agency personnel.
7. The grant manager will inform the independent auditors of applicable laws, regulations, and provisions of contracts and grants. The grant manager will also communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

Document Administration

For each grant/award received by Eastern Action from a federal, state, or local government agency, a master file of documents applicable to the award will be prepared and maintained in either a paper, electronic, or hybrid form. The responsibility for assembling each master file will be assigned to the Program Manager assigned to administer the program. The Program Manager will provide copies (paper and/or electronic), access to master file to the Finance Department of all of the grant/award master file documents.

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

1. Copy of the initial application for the award and corresponding budget, including documentation of Board approval
2. All correspondence to and from the awarding agency post-application, leading up to and subsequent to the award
3. The final, approved budget and program plan, after making any modifications
4. The grant agreement and any other documents associated with the initial making of the award
5. Reference sources or links to pertinent laws and regulations, including awarding agency guidelines, associated with the award
6. Subsequent grant modifications (financial and programmatic)

7. Results of any monitoring visits conducted by the awarding agency, including resolution by Eastern Action of any findings arising from such visits
8. Correspondence and other documents resulting from the closeout process of the award
9. Copies of program and financial reports are filed separately and are available as needed
10. Prior written approvals from awarding agency are filed separately and are available as needed

The original grant document file will remain be stored on a shared drive. Access to this file is restricted to limit the potential for loss of valuable documents. Any other Eastern Action employee making a valid request for access to grant documents will be provided read-only access to the documents.

Closeout of Federal Awards

Eastern Action will follow the closeout procedures described in *2 CFR Part 200.344 Closeout*, and in the grant agreements as specified by the granting agency.

Eastern Action and any subrecipients will liquidate all obligations incurred under the grant or contract within 120 days of the end of the grant or contract agreement, at a minimum or as specified by the contract.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Definitions of Revenue

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

Contribution – A receipt of cash or other assets (property, etc.), including promises to give, collections, or similar assets to the Agency, or a reduction, settlement, or cancellation of the Agency's liabilities, in a voluntary nonreciprocal transfer by another entity or individual. A contribution may or may not include a donor-imposed condition or restriction (stipulation).

Donor-Imposed Condition – A donor-imposed stipulation represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised. Failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or gives the contributor a right of release from its obligation to transfer its assets.

In practical terms, this means a donor has imposed some type of stipulation or barrier other than a purpose or time period stipulation (which is defined as a donor-imposed restriction below) and that condition has some degree of uncertainty as to whether or not it will occur, and if the condition is not met, the Agency is not entitled to the contribution. Conditions may or may not be within the control of the Agency. (An example of a donor-imposed condition is the stipulation by a funding source that an organization must incur allowable expenditures prior to reimbursement, and that any advanced funds be returned if allowable expenditures are not incurred within the period of performance.)

Donor-Imposed Restriction – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period, specific program or service, or is more specific than the broad limits resulting from the nature of the Agency, the environment in which it operates, and the purposes specified in the Articles of Incorporation or Bylaws. Restrictions on the use of an asset may be temporary or perpetual (permanent).

Exchange Transaction – A reciprocal transaction in which Eastern Action and another individual or entity each receive and sacrifice something of approximately equal value.

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

Nonreciprocal Transfer – A transaction in which an individual or entity incurs a liability or transfers assets to Eastern Action without directly receiving value in exchange.

Promise to Give – A written or oral agreement to contribute cash or other assets to Eastern Action.

Examples of Eastern Action revenue sources may include the following:

Contracts with customers – this may include exchange transactions.

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

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

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

Program revenue – this may include exchange transactions.

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

Revenue Recognition Policies

Eastern Action receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Grant revenue, Conditional or Restricted Contribution-Based** – Grant revenue from federal and state governments is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts.

   Advance billings of grants will be done as allowable by funders. Reimbursement grants are billed/invoiced monthly, or as funders require, based on allowed, incurred expenses. Private grants are usually received once funding is approved. Financial expenditure reports, if required, are submitted as required by funding sources.

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

3. **Contributions** – Also referred to as donations. Recognized as revenue when received, unless accompanied by donor-imposed conditions. All pledges, bequests and endowments will be recognized in accordance with GAAP. Conditional contributions will be recognized as revenue upon the satisfaction of the condition. Contributions may be solicited or unsolicited. (See CONTRIBUTIONS ACCOUNTING section of manual.)

4. **Contributions In-kind or Noncash or Gifts In-kind** – Recognized as revenue when received. Contributed services will be recognized as revenue in the GAAP financial statements only to the extent that the contributed services meet either the a. or b. criteria under Generally Accepted Accounting Principles (GAAP) (FASB ASC 958-605-25-16):

   a. Create or enhance nonfinancial assets.
   b. The service

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

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

The Agency benefits from personal services provided by a significant number of volunteers. This donated personal service to the Agency's program operations and fundraising campaigns do not meet the criteria for recognition in the financial statements.

5. **Promises to Give** – Recognized as revenue upon receipt of clear communication of the promise from the donor or the donor's legal representative (e.g., trustee, attorney, etc.), unless accompanied by a condition or conditions.

Unconditional Promises to Give

- Unconditional promises to give will be recorded as assets and increases in net assets with donor restriction (contribution revenue) in the period that Eastern Action receives communication of the promise.
- Unconditional promises to give that are to be collected within one year will 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 will be recorded at their discounted net present value.
- Accretion of discount on such promises to give will be recorded as contribution revenue in each period leading up to the due date of the promise to give. The interest rate that will be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to Eastern Action at the time the Agency receives a promise from a donor, considering the dollar amount of the promise and the time period of the promise (e.g., for promises of less than $100,000, the Agency will generally use the interest rate applicable to certificates of deposit for the same approximate duration available from its bank).
- When the final time or use restriction associated with a contributed asset has been met, a reclassification between net assets with donor restrictions and net assets without donor restrictions will be recorded.

Conditional Promises to Give

The Agency will not record an asset or contribution revenue for any conditional promise to give until the donor's condition or conditions are substantially met. The Agency will maintain a record of such conditional promises to give and monitor these gifts for purposes of identifying when the condition associated with each such promise has been satisfied. This schedule will

also be used in connection with preparing the Agency's footnote disclosures associated with contributions.

6. **Program Revenue** – Defined as gross revenue generated by a supported activity or earned as a result of an award or program. Examples include use or rental of property paid for with federal funds or fees earned for services performed.

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

   Fee for service revenue is billed according to contract terms and conditions, based on the units of services provided.

8. **Interest, dividends, rents, or other forms of ordinary revenue** – monthly accrual based on when it was earned. Investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law. See ENDOWMENT FUNDS RECEIVED and INVESTMENTS sections elsewhere in this manual.

9. Immaterial or other lesser sources of revenue will be collected and recorded when the services are provided.

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

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

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

Distinguishing Contributions from Exchange Transactions

Eastern Action receives revenue in the form of contributions, revenue from exchange transactions, and revenue from activities with characteristics of both contributions and exchange transactions. Eastern Action will consider the factors included in FASB ASC 958-605 and ASC Topic 606, when determining whether revenue will be accounted for as contribution revenue, exchange transaction revenue, or both.

COST SHARING AND MATCHING (IN-KIND)

Overview of Cost Sharing or Matching

Eastern Action values contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or federal agency regulations identify specific values to be used. Eastern Action will claim contributions as meeting a cost sharing or matching requirement of a federal award when all of the following criteria are met in accordance with 2 CFR Part 200.306:

1. The contribution is verifiable from Eastern Action records.

2. The contribution is not included as a contribution (or match) for any other federally assisted project or program.

3. The contribution is necessary and reasonable for proper and efficient accomplishment of project or program objectives.

4. The contribution is allowable under the federal cost principles, *2 CFR Part 200 Subpart E, Cost Principles.*

5. The contribution is not paid by the federal government under another award, except where authorized by federal statute to be used for cost sharing or matching.

6. The contribution is provided for in the approved budget when required by the federal awarding agency.

7. The contribution conforms to all provisions of federal administrative regulations, *2 CFR Part 200 Subpart D, Post Federal Awards Requirements.*

8. In the case of donated space, (or donated use of space), the space is subject to an independent appraisal performed by a certified appraiser as defined by 2 CFR Part 200.306(i) to establish its value.

Documentation

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

1. Volunteer's name and address
2. Date service was performed
3. Period of service (equal to payroll period dates)
4. Hours volunteered, if applicable
5. Volunteer's signature
6. Signature of staff having knowledge of donation or service, authorizing signature
7. Description of service performed, volunteer activity
8. Start and end time and total hours volunteered; hour donated (time in and out)
9. Rate applied to the activity

10. Total valuation for the time period
11. Other information necessary to comply with the grant/award/program matching requirements

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

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

It is the responsibility of each Program Director or Coordinator (depending on the activity or donation) to instruct the donor or volunteer in filling out the proper form to ensure all donations are recorded.

The original form sign-in sheets, volunteer timekeeping document will be given to the Finance Department as needed to be tallied, valued, and recorded in the appropriate database and/or software for tracking and reporting, and recorded in the Agency's financial records, as appropriate. The documentation will indicate the basis for the value placed on the contribution.

Summary reports will be prepared by the Finance Department, which then will be forwarded to the Program Directors for monitoring required match as needed.

Valuation and Accounting Treatment of In-Kind or Matching

Cost sharing, match, or in-kind typically falls into one of the following categories; however, others may be identified by Eastern Action:

- Cash
- Space, buildings, land, and equipment
- Volunteer time and services
- Supplies

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

Cash

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

- Eastern Action will recognize cash contributions as matching revenue in the period in which the funds are spent on allowable program costs.
- Any discounts received on goods or services are recognized as in-kind only if such discounts are not available to the general public or are customarily given to other nonprofit organizations. Discounts taken as in-kind must be supported by documentation provided by the contractor stating that it is providing the discount in support of the program.

Space, Buildings, Land, and Equipment

Buildings, Land, and Equipment

If the purpose of the contribution is to assist the Agency in the acquisition of equipment, building, or land, the total value of the donated property may be claimed as matching with prior approval of the awarding agency, provided the donation meets the criteria in the OVERVIEW OF COST SHARING OR MATCHING section above.

If the purpose of the donation is to support activities that require the use of equipment, buildings, or land, depreciation may be claimed as matching, unless the awarding agency has approved using the full value of the depreciable asset as match.

Buildings, land, and equipment are valued at their fair market value as determined by an independent certified real property appraiser. Information on the date of donation and records from the appraisal will be maintained in a property file.

Donations of long-lived assets are recognized as contributions when received, regardless if the asset is used as match. See the VALUATION OF NONCASH (IN-KIND) CONTRIBUTIONS section elsewhere in this manual.

Space

- Will be valued at the fair rental value of comparable space as established by an independent certified real property appraisal of comparable space and facilities in a privately-owned building in the same locality.
- Information on the date of donation and records from the appraisal will be maintained in a property file.
- If the donation is a less than an arms-length transaction, the value will be based on actual allowable costs to occupy the facility (e.g. repairs and maintenance, insurance, etc.), not to exceed fair market value.

Volunteer Time and Services

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

Volunteer services will be valued at rates consistent with those paid for similar work in the Agency. For skills not found in the Agency, rates will be consistent with those paid for similar work in Eastern Action's labor market. Rates should include gross hourly wages plus fringe benefits calculated based on fringe benefits received by employees in similar positions or on agency average.

Volunteers must possess qualifications and perform work requiring those skills in order to be valued at greater than an unskilled labor rate.

Eastern Action rarely receives these types of volunteer services. If these services are received they will be recorded as revenue and expense by Eastern Action. Also see VALUATION OF NONCASH (IN-KIND) CONTRIBUTIONS subsection of the CONTRIBUTIONS ACCOUNTING section found elsewhere in this manual.

Also see DOCUMENTATION subsection of COST SHARING AND MATCHING (IN-KIND) section of this manual.

Supplies

Donated supplies must be used in the program and will be valued at fair market value at the time of donation. Supplies can be counted as match only if the program would have purchased such items with federal funds.

GIFT ACCEPTANCE

Overview of Gift Acceptance Policies

A gift/contribution is consideration given to the Agency for which the donor receives no direct benefit and requires nothing in exchange (it is nonreciprocal) other than assurance that the intent of the contribution will be honored by Eastern Action. Two broad principles apply to all gifts given to the Agency:

1. A gift will not be accepted that is not in the charitable interest of the donor, considering the donor's financial situation and philanthropic interests, as well as tax, legal, and other relevant factors.
2. A gift will not be accepted unless there is a reasonable expectation that acceptance of the gift will ultimately benefit Eastern Action.

Eastern Action will not accept any donations that imply endorsement of businesses, products or services. Donor businesses may not use Eastern Action's name for promotion of any product or service.

Categories of Gifts

Gifts to the Agency are classified into two categories, based on the level of risk associated with acceptance of the gift.

Gifts of **marginal risk** include the following:

- Cash and cash equivalents (e.g., certificates of deposit)
- Gifts of securities actively traded on a U.S. public market (e.g., publicly traded stocks, mutual funds, corporate and government bonds, etc.)
- Personal property with a fair value of less than $5,000 (new or used)

Gifts of the preceding three categories will be considered to be of marginal risk only if they are either unrestricted or restricted to one specific existing Eastern Action program.

Gifts of **greater-than-marginal risk** include the following:

- Any gift requiring the acceptance of a restriction that:
  - Is not clearly identifiable with an existing program of Eastern Action,
  - Would require the addition or modification of a Eastern Action program,
  - Would not be consistent with the mission of Eastern Action,
  - Would not be consistent with Eastern Action's tax-exempt purpose under Internal Revenue Code (IRC) section 501(c)(3),
  - Would require the reclassification of net assets without donor restrictions to net assets with donor restrictions
  - Would violate any federal, state, or local law or regulation, or
  - Would result in excessive control to the donor, or anyone designated by the donor, over the subsequent use of the contributed asset.

- Any gift from a donor involved in businesses or activities that may be deemed to be inconsistent with the mission of Eastern Action
- Personal property with a fair value of $5,000 or more (new or used)
- Real property (either an outright gift of property or the donated use of such property)
- Non-publicly traded securities (e.g., ownership interests in privately held businesses, partnerships, etc.)
- Charitable remainder trusts
- Charitable lead trusts
- Conditional promises to give/pledges
- Unusual items or items of questionable value (including works of art, animals, historic artifacts, memorabilia, etc.)
- Life insurance
- Notification of the intent to give noncash assets through a bequest

Gift Acceptance Procedures

Gifts of marginal risk may be accepted by the Agency without any further review and approval. Gifts of greater-than-marginal risk may be accepted only after review and approval of the Board of Directors. This review and approval will be documented on a Gift Acceptance form in the meeting minutes.

It is also the policy of Eastern Action to liquidate all gifts of publicly-traded securities within 30 days of receipt unless it is determined by the Controller that holding the securities as an investment of the Agency would be fiscally prudent, appropriate, and consistent with the Agency's investment policies.

See CONTRIBUTED ASSETS and CONTRIBUTIONS ACCOUNTING sections of this manual.

CONTRIBUTIONS ACCOUNTING

Donor Privacy

Eastern Action respects the privacy of its donors and also recognizes that donors wish to be connected to the Agency. Eastern Action uses donor information to notify them of information, plans and activities. Donor information is shared with staff, Board members, volunteers and consultants on a "need-to-know" basis.

Eastern Action does not share their donor list with any third-party unless donor permission has been granted. Requests to remain anonymous will be honored in accordance with Agency policies and IRS rules.

Valuation of Noncash (In-kind) Contributions

As stated in the preceding section, all noncash contributions of assets will be recorded at their fair value as of the date of the gift. Fair values used in accounting for donated assets will be determined by the Agency, not by the donor, although in some cases a value may have been provided by a donor. (See RECEIPTS, ACKNOWLEDGEMENTS, AND DISCLOSURES section for additional information associated with IRS Form 8283.)

The determination of the fair value of donated assets will be determined as follows:

1. For contributions of publicly-traded securities, fair value will be determined by the Controller based on a web-based search (using e.g., E*Trade, etc.) of the closing price of the security on the date that the security was transferred to Eastern Action. In addition, a printout of this Web search will be retained in the Accounting Department's records for future reference and substantiation of this procedure.
2. For contributions of personal property, fair value will be determined by Controller, using appropriate public records (price lists for new assets, other guides for used assets) subject to the review and approval of the Chief Executive Officer – such valuation documented using a standard form.
3. For contributions of real property, fair value will be determined by an appraisal performed by an independent appraiser hired by Eastern Action (not an appraiser hired by the donor).
4. For contributions of all other assets, fair value will be determined by the Controller.

Contributed services that meet the criteria for recognizing contributed services under GAAP as described in the REVENUE RECOGNITION section of this manual will be recognized as contributions in the financial statements under Generally Accepted Accounting Principles (GAAP) (FASB ASC 958-605-). Services that do not meet the revenue recognition criteria will not be recognized in the GAAP financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). In-kind volunteer time that qualifies for cost sharing or matching, but does not meet the GAAP criteria, will be tracked and reported separately for grant purposes only.

The value for contributed services will be determined by multiplying the hours worked by each volunteer, as documented on the Agency's Volunteer Time Sheet, by an applicable hourly rate, documentation provided by the service provider. The applicable hourly rate will be determined by the Controller and will generally be equal to an estimate of an hourly wage rate plus estimated employee

benefits costs at a 30% benefit percentage; or an hourly rate typically charged by external contractors possessing the skills provided by the volunteer.

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

Also see revenue COST SHARING AND MATCHING (IN-KIND), DEFINITIONS OF REVENUE, NON-INTEREST-BEARING NOTES PAYABLE, and REVENUE RECOGNITION POLICIES sections elsewhere in this manual.

Receipt of Donations Procedure

Upon receipt, all monetary donations will be processed according to the RECEIPTS policies elsewhere in this manual. Information on restriction of gifts will be communicated to the Finance Department so the gift can be recorded and governed according to the wishes of the donor. After funds are deposited, check copies, cash receipts, source of the gift, intended use and any other information included with the gift is delivered to the appropriate department to carry-out the terms of the gift. The CEO will acknowledge gifts within 5 business days of receipt. Please see the RECEIPTS, ACKNOWLEDGEMENTS, AND DISCLOSURES section.

Receipts, Acknowledgements, and Disclosures

Eastern Action 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, Eastern Action will adhere to the following guidelines with respect to contributions received by the Agency.

The Finance Department will provide a receipt to the donor for every separate contribution received over $250, at the end of the calendar year. All receipts will include the following information:

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

Quid Pro Quo Transactions

When Eastern Action receives cash as part of a quid pro quo transaction, the Agency will follow additional disclosure procedures in conformance with Internal Revenue Service (IRS) rules. A "quid pro quo transaction" is one in which Eastern Action receives cash or other assets in a transaction that is part contribution and part exchange transaction (i.e. value of the goods or services provided to the donor by Eastern Action is less than the value of assets provided by the donor. In such instances, Eastern Action will 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 Eastern Action may be deducted as a charitable contribution. The receipt will also include a good faith estimate of the fair market value of the goods or services provided to the donor by Eastern Action.

All estimates of the fair market value of goods or services provided by Eastern Action will be prepared by the Finance Department.

Eastern Action complies with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

Noncash Donations

The Controller or Chief Executive Officer will provide a signed Form 8283 to donors who have made a noncash contribution, as requested.

- Signature of an agency official on Form 8283 signifies an acknowledgment that Eastern Action is a qualified charitable organization and if Eastern Action sells, exchanges, or disposes of the property within three-(3) years after the date of receipt, it will file Form 8282 with the Internal Revenue Service (IRS) and give a copy of the form to the donor.
- Signature on Form 8283 does not represent any level of certification of, or agreement to, the valuation of the gift that has been assigned by the donor or the donor's appraiser, but it does serve to inform Eastern Action of the value intended to be deducted by the donor, which is useful in connection with the subsequent filing of Form 8282.
- Any Form 8283 presented by a donor for signature by Eastern Action will be reviewed, along with the donated asset and any relevant documentation pertaining to the asset's description and condition, by the Controller who will have final responsibility for agreeing or disagreeing with the donor's description of the asset and for signing the Form 8283.
- The Controller will retain a copy of any Form 8283 that has been signed and will forward a copy of each Form 8283 to the Staff Accountant for subsequent tracking of the donated asset. (See below.)

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

- The property is valued at $500 or less, or
- The donated assets are consumed or distributed in fulfillment of the Agency's tax-exempt mission.
- Responsibility for tracking donated assets and determining whether filing Form 8282 is assigned to the Controller.
- Upon completion of a Form 8282 by the Controller, the form will be reviewed and signed by the Chief Executive Officer. The form will be mailed to the IRS by the Staff Accountant.
- A copy of the completed form will be given to the donor.

Endowment Funds Received

It is the policy of Eastern Action to establish and accept endowments for the benefit of one or more programs or purposes within the scope of the Agency's mission, subject to the GIFT ACCEPTANCE policies described elsewhere in this manual. As of this policy update (June 2021) Eastern Action has no endowed funds.

It is also the policy of the Agency to account for all endowments in accordance with any and all explicitly communicated donor-imposed restrictions that have been accepted by the Agency, including

restrictions associated with the classification of subsequent interest revenue, dividend revenue, realized gains and losses, unrealized gains and losses, and other investment revenue, as well as future appropriations and expenditure of endowment funds. Investment return is generally considered free of donor restrictions, unless its use is limited by a donor-imposed restriction or by law. To the extent the Agency has accepted an endowment that does not include explicit donor restrictions regarding subsequent accounting for and classification of the endowment or investment revenue or for the appropriation and expenditure of endowment funds, Eastern Action will follow the guidelines described in West Virginia State law.

The interpretation of how West Virginia state law applies to a particular endowment of Eastern Action will be made by the Controller and subject to the review and approval of the Finance Committee.

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

Fundraising Events, Special Events

The Agency will maintain a subsidiary record that tracks any special fundraising event sponsored by the Agency. The Finance Department will be responsible for maintaining this subsidiary record. The following information will be tracked on an event-by-event basis for purposes of possible disclosure in the Agency's annual Form 990 information return with the IRS:

1. Description and location of the event (including an indication of whether any type of gaming activities took place in connection with the event)
2. Total gross proceeds received in connection with the event
3. Portion of the proceeds considered to be a contribution (equal to the amount received less the fair value of any benefits provided to donors)
4. Total costs of the event
5. Portion of the costs attributable to direct donor benefits (i.e., the cost of any benefits provided to donors, such as the cost of green fees or a meal provided to attendees at a fund-raiser)
6. Portion of the total costs associated with:
    a. Rent or facility costs
    b. Cash prizes, if any
    c. Noncash prizes, if any
    d. Food and beverages
    e. Entertainment
    f. Fees paid to (or retained by) an outside fund-raiser
7. Total compensated and total uncompensated (volunteer) labor hours associated with each event
8. The names and addresses of any outside fundraiser used in connection with the event
9. An indication of whether any outside fundraiser ever took custody, even temporarily, of funds raised for Eastern Action in connection with any fundraising event

In addition to the preceding information, if any fundraising activities of Eastern Action include gaming (e.g., bingo, pull tabs, or any other type of gaming), the Agency will maintain records of the following:

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

2. Documentation indicating the percentage of gaming activity operated in the Agency's facility vs. an outside facility
3. If the Agency utilizes a third-party to operate gaming activities, a record will be kept of the total proceeds of the gaming activity and the amount retained by the third-party operator as its compensation

If the Agency engages in, or plans to engage in, gaming activities, the Controller will first research and obtain any and all required licenses or permits.

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

The reporting of expenses for fundraising/special events may result in expenses that are not reported by their natural classification (i.e. facility rental costs of special events reported as direct benefits to donors vs. as rent expense); however, these expenses will be reported by their natural classification in the analysis of expenses by nature and function (i.e. Statement of Functional Expenses). See FINANCIAL STATEMENTS section of this manual.

State Registrations

It is the policy of Eastern Action to register in each state in which the Agency's fundraising activities would result in a requirement to register. Determination of state-by-state registration requirements will be with the Controller, who may consult outside advisors in making such determinations.

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

Online Contributions

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

1. Credit and debit card charges will be processed by an outsourced service provider.
2. Contributors will also be offered the option to donate through the website via paypal.
3. The service provider will provide reports for download as needed.
4. The Finance Department will use the reports to reconcile the bank statement and to provide an accounting of donations received online for entry into the general ledger.
5. Donations will be recorded at the gross amount, with credit or debit card fees recorded separately.
6. Eastern Action will work to provide reasonable measures to safeguard protected personally identifiable information (PPII).

Recording of the revenue will be entered as needed into the accounting system with a journal voucher entry.

Disclosures of Promises to Give/ Pledges

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

Unconditional Promises to Give

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

Conditional Promises to Give

- Total of amounts promised.
- Description and amounts of each group of promises that share similar characteristics.