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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures for Iowa Association for the Education of Young Children, which shall be referred to as “Iowa AEYC” or “the Organization” throughout this manual.

Iowa AEYC is incorporated in the state of Iowa. Iowa AEYC is exempt from Federal income taxes under IRC Section [501(c)(3)] as a nonprofit corporation.

Iowa AEYC’s tax-exempt mission (effective July 2016) is to:

Iowa Association for the Education of Young Children Mission Statement

Mission Statement

Iowa AEYC promotes high-quality early learning for all children, birth through age 8, by connecting practice, policy, and research. We advance a diverse, dynamic early childhood profession and support all who care for, educate, and work on behalf of young children.

Vision Statement

All young children thrive and learn in a society dedicated to ensuring they reach their full potential.

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

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

GENERAL POLICIES

ORGANIZATIONAL STRUCTURE

The Role of the Governing Board

Iowa AEYC is governed by its Governing Board, which is responsible for the oversight of the Organization by:

1. Planning for the future
2. Establishing broad policies, including financial and personnel policies and procedures
3. Approving grant applications
4. Reviewing and approving the annual audit
5. Reviewing financial information
6. Identifying and proactively dealing with emerging issues
7. Interpreting the Organization's mission to the public
8. Soliciting prospective contributors
9. Hiring, evaluating, and working with the Executive Director
10. Establishing and maintaining programs and systems designed to assure compliance with terms of contracts and grants
11. Authorizing establishment of all bank accounts and check signers.

The Executive Director shall be responsible for the day-to-day oversight and management of Iowa AEYC.

Finance Committee Responsibilities

The Finance Committee is responsible for direction and oversight regarding the overall financial management of Iowa AEYC. 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)
5. Monitoring of actual vs. budgeted financial performance
6. Oversight of reserve funds
7. Review of financial procedures

The review of the Organization's financial statements shall not be limited to the Finance Committee, but shall involve the entire Governing Board.

The Finance Committee is also responsible for the annual audit. It hires an independent CPA firm and communicates directly with the CPA firm for an annual audit, as described in the Organization's by-laws. The Finance Committee shall review and approve the final audited financial statements, and any other communications received from the auditor regarding internal controls, illegal acts, or fraud.

The Finance Committee also serves as the primary point of contact for any employee who suspects that fraud has been committed against the Organization or by one of its employees or board members.

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 Governing Board hires the Executive Director, who reports directly to the board. The Executive Director is responsible for the supervision of the hiring and evaluating all other employees.

ACCOUNTING DEPARTMENT OVERVIEW

Responsibilities

The primary responsibilities of the accounting department consist of:

- General ledger
- Budgeting
- Cash and investment management
- Asset management
- Grants and contracts administration
- Purchasing
- Accounts receivable and billing
- Cash receipts
- Accounts payable
- Cash disbursements
- Payroll and benefits
- Financial statement processing
- External reporting of financial information
- Bank reconciliation
- Reconciliation of subsidiary ledgers
- Compliance with government reporting requirements
- Annual audit
- Leases
- Insurance

Standards for Financial Management Systems

In accordance with OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Iowa AEYC 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. Accurate, current, and complete disclosure of the financial results of each Federally-sponsored project or program in accordance with the reporting requirements of 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. Iowa AEYC 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 Iowa AEYC 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.

BUSINESS CONDUCT

Practice of Ethical Behavior

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

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

Each Manager and the Executive Director is responsible for the ethical business behavior of her/his subordinates. Each Manager and the Executive Director 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.

Compliance with Laws, Regulations, and Organization Policies

Iowa AEYC 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 Iowa AEYC policy or engagement in unscrupulous dealings.

Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

The performance of all levels of employees will be measured against implementation of the provisions of these standards.

CONFLICTS OF INTEREST

Introduction

In the course of business, situations may arise in which an Organization 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.

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 Organization in dealing with outside entities or individuals,
2. Disclose real and apparent conflicts of interest to the Governing Board, and
3. Refrain from participation in any decisions on matters that involve a real conflict of interest or the appearance of a conflict.

What Constitutes a Conflict of Interest?

A conflict of interest arises when a director or employee involved in making a decision is in the position to benefit, directly or indirectly, from his/her dealings with the Organization or person conducting business with the Organization. (A potential conflict of interest exists when the director or employee, or his/her immediate family {spouse, children, brother, sister and spouses of children, 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 a director or employee:

1. Negotiates or approves a contract, purchase, or lease on behalf of the Organization 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 Organization and has a direct or indirect interest in, or receives personal benefit from, the entity or individual receiving the goods or services;
3. Employs 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 Organization;
5. Uses the Organization's facilities, other assets, employees, or other resources for personal gain;
6. Receives a substantial gift from a vendor, if the director or employee is responsible for initiating or approving purchases from that vendor.

Disclosure Requirements

A director or employee who believes that he/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, Iowa AEYC requires the following:

1. On an annual basis, all members of the Governing Board, the Executive Director, members of senior management, and employees with purchasing and/or hiring responsibilities or authority shall inform, in writing, the Executive Director and the chair of the Finance Committee, of all reportable conflicts.
2. Prior to the preparation of the disclosure statements, the accounting department shall distribute a list of all vendors with whom the Organization has transacted business at any time during the preceding year, along with a copy of the disclosure statement;
3. The Executive Director shall review all forms completed by employees, and the Finance Committee shall review all forms completed by directors and the Executive Director, and determine appropriate resolution in accordance with the next section of this policy.
4. If a conflict arises during the year, the employee or board member will immediately notify the Executive Director or the Governing Board president who will determine appropriate resolution.

Resolution of Conflicts of Interest

All real or apparent conflicts of interest shall be disclosed to the Finance Committee and the Executive Director of the Organization. Conflicts shall be resolved as follows:

- The Finance Committee shall be responsible for making all decisions concerning resolutions of conflicts involving directors, the Executive Director, and other members of senior management.
- The chair of the committee shall be responsible for making all decisions concerning resolutions of conflicts involving Finance Committee members.
- The chair of the board shall be responsible for making all decisions concerning resolutions of the conflict involving the chair of the Finance Committee.
- The Executive Director shall 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 shall be made by vote of the full Governing Board.
- Board members who are the subject of the appeal, or who have a conflict of interest with respect to the subject of the appeal, shall 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 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 Manager or Executive Director 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.

POLICY ON SUSPECTED MISCONDUCT

Introduction

This policy communicates the actions to be taken for suspected misconduct committed, encountered, or observed by employees and volunteers.

Like all organizations, Iowa AEYC faces many risks associated with fraud, abuse, and other forms of misconduct. The impact of these acts, collectively referred to as misconduct throughout this policy, may include, but not be limited to:

- Financial losses and liabilities
- Loss of current and future revenue and customers
- Negative publicity and damage to the Organization's good public image
- Loss of employees and difficulty in attracting new personnel
- Deterioration of employee morale
- Harm to relationships with clients, vendors, bankers, and subcontractors
- Litigation and related costs of investigations, etc.

Our Organization is committed to establishing and maintaining a work environment of the highest ethical standards. Achievement of this goal requires the cooperation and assistance of every employee and volunteer at all levels of the Organization.

Definitions

For purposes of this policy, misconduct includes, but is not limited to:

1. Actions that violate the Organization's Code of Conduct (and any underlying policies) or any of the accounting and financial policies included in this manual
2. Fraud (see below)
3. Forgery or alteration of checks, bank drafts, documents or other records (including electronic records)
4. Destruction, alteration, mutilation, or concealment of any document or record with the intent to obstruct or influence an investigation, or potential investigation, carried out by a department or agency of the Federal government or by the Organization in connection with this policy
5. Disclosure to any external party of proprietary information or confidential personal information obtained in connection with employment with or service to the Organization
6. Unauthorized personal or other inappropriate (non-business) use of equipment, assets, services, personnel or other resources
7. Acts that violate Federal, state, or local laws or regulations
8. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to Iowa AEYC. Exception: gifts less than a nominal value.
9. Impropriety of the handling or reporting of money in financial transactions.
10. Failure to report known instances of misconduct in accordance with the reporting responsibilities described herein (including tolerance by supervisory employees of misconduct of subordinates).

Fraud is further defined to include, but not be limited to:

- Theft, embezzlement, or other misappropriation of assets (including assets of or intended for the Organization, as well as those of our clients, subcontractors, vendors,

- contractors, suppliers, and others with whom the Organization has a business relationship)
- Intentional misstatements in the Organization's records, including intentional misstatements of accounting records or financial statements
 - Authorizing or receiving payment for goods not received or services not performed
 - Authorizing or receiving payments for hours not worked
 - Forgery or alteration of documents, including but not limited to checks, timesheets, contracts, purchase orders, receiving reports

Iowa AEYC prohibits each of the preceding acts of misconduct on the part of employees, officers, executives, volunteers and others responsible for carrying out the Organization's activities.

Reporting Responsibilities

Every employee, officer, and volunteer is responsible for immediately reporting suspected misconduct to the Executive Director or the Chair of the Finance Committee.

Whistleblower Protection

The Organization will consider any reprisal against a reporting individual an act of misconduct subject to disciplinary procedures. A "reporting individual" is one who, in good faith, reported a suspected act of misconduct in accordance with this policy, or provided to a law enforcement officer any truthful information relating to the commission or possible commission of a Federal offense.

Disciplinary Action

Based on the results of investigations into allegations of misconduct, disciplinary action may be taken against violators. Disciplinary action shall be coordinated with appropriate representatives from the Human Resources Department. The seriousness of misconduct will be considered in determining appropriate disciplinary action, which may include:

- Reprimand
- Probation
- Suspension
- Demotion
- Termination
- Reimbursement of losses or damages
- Referral for criminal prosecution or civil action

This listing of possible disciplinary actions is for information purposes only and does not bind the Organization to follow any particular policy or procedure.

SECURITY

Accounting Department

A lock will be maintained on the drawers into the Iowa AEYC Accounting Department. All materials will be locked at night or when the Controller is not present (breaks, meals, meetings). The key/combination to these locks will be provided to the Controller and the Executive Director, and other personnel as approved by the Executive Director. The lock will be changed whenever any of these individuals leaves the employment of Iowa AEYC.

Iowa AEYC's corporate seals and blank check stock shall be stored in a locked file cabinet in the Accounting Department. This cabinet will be locked with a key that is kept in the Accounting Department. Access to this file cabinet shall be by keys in the possession of the Executive Director and Controller.

Access to Electronically Stored Accounting Data

Iowa AEYC utilizes passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system.

Accounting personnel are expected to keep their passwords confidential and to change their passwords on a regular basis, following recommended best practices. 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

Iowa AEYC maintains back-up copies of electronic data files off-site in a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management. A log should be kept which records the whereabouts of each backup media. Multiple copies of backup media are recommended so as to not overwrite the most recent backup.

The Organization should have a regularly scheduled test of its capability to restore from backup media.

Storage of Sensitive Data

In addition to accounting and financial data stored in the Accounting Department, other sensitive data, such as social security numbers of employees or clients, etc. will not be stored in areas other than the accounting department.

Destruction of Consumer Information

As stated earlier, all sensitive data must be securely stored and shredded when no longer needed. Staff will also shred all member/client information obtained by the Organization for any reason. Shredding will be performed on a schedule determined by each department that possesses such data and the schedule shall be made a part of the Record Retention policy (see the “Fiscal Management” policies section of this manual).

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 Iowa AEYC. Keys are issued only to employees of Iowa AEYC and it is forbidden for employees to provide keys to others.

TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

Purpose and Scope

The purpose of this policy is to identify guidelines for the use of Iowa AEYC technologies and communications systems. This policy establishes a minimum standard that must be upheld and enforced by users of the Organization's technologies and communications systems.

The term "user" as used in these policies refers to employees (whether full-time, part-time or limited-term), independent contractors, consultants, and any other user having authorized access to, and using any of, the Organization's computers or electronic communications resources.

Computer and electronic communications resources include, but are not limited to, host computers, file servers, stand alone computers, laptops, PDAs, printers, fax machines, phones, online services, email systems, bulletin board systems, and all software that is owned, licensed or operated by Iowa AEYC.

Acceptable Use of Organization Property

Use of the Organization's computers and electronic communications technologies is for program and business activities of Iowa AEYC. These resources shall be used in an honest, ethical, and legal manner that conforms to applicable license agreements, contracts, and policies regarding their intended use. Although incidental and occasional personal use of the Organization's communications systems are permitted, users automatically waive any rights to privacy.

In addition, the information, ideas, concepts and knowledge described, documented or contained in the Organization's electronic systems are the intellectual property of Iowa AEYC. The copying or use of the Organization's intellectual property for personal use or benefit during or after employment (or period of contract) with Iowa AEYC is prohibited unless approved in advance by the Executive Director.

All hardware (laptops, computers, monitors, mice, keyboards, PDAs, printers, telephones, fax machines, etc.) issued by Iowa AEYC is the property of the Organization and should be treated as such. Users may not physically alter or attempt repairs on any hardware at any time. Users must report any problems with hardware to the system administrator.

Password Security

Users are responsible for safeguarding their login passwords. Passwords may not be shared, printed, or stored online. Users should not leave their computers unattended without logging off. If a user suspects that the secrecy of their password has been compromised they should report this to the Director of Information Technology immediately and initiate a password change request.

Passwords should contain at least 7 characters and be complex. They should not be a dictionary word, your son or daughters name, etc. Passwords should be made up of a combination of the following: letters, numbers, special characters, and upper and lower case characters.

The Organization enforces an email password change every 90 days. Unique passwords are required at each change.

Confidentiality

All information about individuals, families or organizations served by Iowa AEYC is confidential. No information may be shared with any person or organization outside Iowa AEYC without the prior written approval of the individual, family or organization **and** the Executive Director.

E-Mail Communications

The Organization may communicate with its vendors and clients via e-mail. E-mail is not a secure or private communications mechanism, nor should employees treat it that way. Sensitive or confidential information should not be sent via e-mail over the Internet without password protection or encryption.

Employees should exercise care in the use of e-mail and in the handling of e-mail attachments. If an e-mail is from someone you do not know, or if you were not expecting an attachment, do not open it, delete it. The user should contact the system administrator for assistance if there are questions as to the validity of the message and attachment.

Anti-Virus Controls

The Organization maintains current anti-virus controls on its computer systems. This includes servers and personal computers. The system will automatically download and distribute virus signature updates to all systems. The anti-virus software is monitored by the system administrator. Weekly file system scans of all systems are conducted automatically.

Users are prohibited from disabling or altering the configuration of the anti-virus software. Users are also required to report any suspicious activity on their computers to the Executive Director. The system administrator's activity included, but is not limited to: cursor or mouse moving on its own, hard drive thrashing without user input, uncharacteristically slow performance, a change in behavior of the system, etc.

Copyrighted Information

Use of Iowa AEYC electronic communication systems to copy, modify, or transmit documents, software, information or other materials protected by copyright, trademark, patent or trade secrecy laws, without obtaining prior written permission from the owner of such rights in such materials, is prohibited.

Download/Installation of Software

The installation of new software without the prior approval of system administrator is prohibited. If an employee desires to install any new programs, written permission should first be obtained. Software

should not be downloaded from the Internet. This is a common mechanism for the introduction of computer viruses. If Internet-based software is needed, the system administrator should be contacted to perform the download and testing of the application prior to installation.

Other Prohibited Uses

Other prohibited uses of the Organization's communications systems include, but are not limited to:

1. Engaging in any communication that is discriminatory, defamatory, pornographic, obscene, racist, and sexist or that evidences religious bias, or is otherwise of a derogatory nature toward any specific person, or toward any race, nationality, gender, marital status, sexual orientation, religion, disability, physical characteristic, or age group.
2. Browsing, downloading, forwarding and/or printing pornographic, profane, discriminatory, threatening or otherwise offensive material from any source including, but not limited to, the Internet.
3. Engaging in any communication that is in violation of Federal, state or local laws.
4. Proselytizing or promoting religious beliefs or tenets.
5. Campaigning for or against any candidate for political office or any ballot proposal or issue.
6. Sending, forwarding, redistributing or replying to emails
7. Using unauthorized passwords to gain access to another user's information or communications on the Organization's systems or elsewhere.
8. Advertising, solicitation or other commercial, non-programmatic use.
9. Knowingly introducing a computer virus into the communications systems or otherwise knowingly causing damage to the systems.
10. Using the systems in a manner that interferes with normal business functions in any way, including but not limited to, streaming audio from the Internet during business hours, stock tickers, Internet gaming, installing unauthorized software, etc.
11. Excessive personal use of technologies that preempts any business activity or interferes with organizational productivity.
12. Sending email messages under an assumed name or obscuring the origin of an email message sent or received.
13. All employees will be expected annually to sign that they have reviewed the social media policy.

Disciplinary Action for Violations

Iowa AEYC requires all users to adhere to this policy. Violations of this policy will result in disciplinary action, which could include termination of employment or cancellation of contracts.

Reporting of Suspected Violations

Suspected violations of these policies should be immediately and confidentially reported to your immediate Manager. If you prefer not to discuss it with your Manager, you may contact the Executive Director or any member of the Finance Committee.

Iowa AEYC reserves the right to install programs that monitor employee use of the Internet and electronic communications systems, and to act on any violations of these policies found through use of such programs. Iowa AEYC further reserves the right to examine any and all electronic communications sent or received by employees via the Organization's electronic communications systems.

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.

Iowa AEYC's chart of accounts is comprised of six types of accounts:

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

Distribution of Chart of Accounts

All Iowa AEYC employees involved with account 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 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 should be approved by the Controller, who ensures that the chart of accounts is consistent with the Organizational structure of Iowa AEYC and meets the needs of each division and department.

Fiscal Year of Organization

Iowa AEYC shall operate on a fiscal year that begins on July 1 and ends on June 30. Any changes to the fiscal year of the Organization must be ratified by majority vote of Iowa AEYC's Governing Board.

Accounting Estimates

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

1. Useful lives of property and equipment
2. Fair market values of investments
3. Fair market values of donated assets
4. Values of contributed services
5. Joint cost allocations
6. Allocations of certain indirect costs
7. Allocations of time/salaries

The Controller will reassess, review, and approve all estimates yearly. All key conclusions, bases, and other elements associated with each accounting estimate shall be documented in writing. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Finance Committee, the Audit Committee, and the external audit firm.

Journal Entries

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

1. Recording of noncash transactions
2. Corrections of posting errors
3. Nonrecurring accruals of income and expenses

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

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

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

All journal entries not originating from subsidiary ledgers shall be reviewed and approved by the Executive Director by initialing or signing the entries.

POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS

REVENUE

Revenue Recognition Policies

Iowa AEYC 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. **Membership dues and fees** – Recognized as income when received.
2. **Conference and seminar revenue** - Deferred as received, reclassified to income at close of the month in which the conference or seminar is held
3. **Exhibit space income** - Deferred as received, then recognized as income when the conference is held
4. **Sponsorships** – Are deferred as recorded and recognized as income when the sponsored event is held.
5. **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).
6. **Program Income** – Includes refunds and other applicable credits, and is recognized as a reduction in expenditures in the period in which it is received.
7. **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 Executive Director.

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 or individual.

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 either limited to a specific future time period or is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in the Articles of Incorporation and Bylaws. Restrictions on the use of an asset may be temporary or permanent.

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

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

Exchange Transaction – A reciprocal transaction in which Iowa AEYC and another entity each receive and sacrifice something of approximately equal value.

ADMINISTRATION OF AWARDS

Definitions

Iowa AEYC may receive financial assistance from a donor/grantor agency through the following types of agreements:

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 funder agrees to pay for them.

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

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

Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. However, all proposals shall be reviewed by the Controller and the Executive Director prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by the Governing Board and the Executive Director.

Post-Award Procedures

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

1. Verify the specifications of the grant or contract. The Accounting Department shall review the terms, time periods, award amounts and expected expenditures associated with the award. A Catalog of Federal Domestic Assistance (CFDA) number shall be determined for each award. All reporting requirements under the contract or award shall be summarized.
2. Submit for approval. All contracts over \$5000 must be approved by the Governing Board.
3. Communicate changes in award amounts. The Executive Director shall inform the Governing Board regarding differences in award amounts of greater than 25%.
4. Create new general ledger account numbers (or segments). New accounts shall be established for the receipt and expenditure categories in line with the grant or contract budget.
5. 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

Iowa AEYC 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.

Close Out of Federal Awards

Iowa AEYC shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency. Iowa AEYC 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.

CONTRIBUTIONS RECEIVED

Overview

Iowa AEYC shall accept charitable contributions of all types of assets from any type of donor, with the following exceptions:

1. Contributions of non-liquid assets or assets possessing legal or other characteristics rendering the asset difficult to sell or convert to liquid assets, as determined by the Executive Director or the Controller;
2. Contributions with donor-imposed restrictions that provide excessive control to the donor over future uses of the donated asset(s), as determined by the Executive Director or the Controller;
3. Contributions with donor-imposed restrictions that violate or involve uses that go beyond the Organization's current mission statement and tax-exempt purpose, as determined by the Executive Director or the Controller; and
4. Contributions from donors involved in businesses or activities that are deemed inconsistent with Iowa AEYC's mission, as determined by the Executive Director.

Distinguishing Contributions from Exchange Transactions

Iowa AEYC receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. Iowa AEYC 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. Iowa AEYC's intent in soliciting the asset, as stated in the accompanying materials;
2. The expressed intent of the entity providing resources to Iowa AEYC (i.e., does the resource provider state that its intent is to support Iowa AEYC'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 Iowa AEYC (contribution);
4. Whether payment received by Iowa AEYC is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by Iowa AEYC, 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
7. Whether assets are to be delivered by Iowa AEYC 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.

Unconditional Promises to Give

- Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) in the period that Iowa AEYC receives the promise.
- Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management.
- Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value.
- Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to Iowa AEYC 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.

Receipts and Disclosures

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

The Accounting Department shall provide a receipt to the donor for every separate contribution received. All receipts shall include the following information:

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

When Iowa AEYC receives cash in excess of \$75, or noncash property with a value in excess of \$75, as part of a quid pro quo transaction, the Organization shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo transaction" is one in which Iowa AEYC 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 Iowa AEYC is less than the value of cash or property provided by the donor). In such instances, Iowa AEYC 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 Iowa AEYC 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 Iowa AEYC.

Iowa AEYC 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.

Disclosures of Promises to Give

As stated earlier, Iowa AEYC shall record an asset and an increase in net assets for unconditional promises to give. In addition, in connection with its annual financial statements, Iowa AEYC shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five fiscal years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, Iowa AEYC shall nonetheless prepare a similar schedule of future payments for disclosure in the Organization's annual financial statements.

BILLING/INVOICING POLICIES

Overview

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

Annual Billings

Membership billings

Quarterly Billings

Education costs due from child care centers and scholarship recipients

Monthly Billings

Grants and contracts (See separate section on “Policies Associated with Federal Awards” for billing policies associated with federal grant agreements)

Daily (“as needed”) Billing

Conferences

Other lesser sources of income such as interest will be recorded when received.

Responsibilities for Billing and Collection

Iowa AEYC’s Accounting Department is responsible for the invoicing of funding sources and the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections.)

Billing and Financial Reporting

Iowa AEYC strives to provide management, staff and funding sources with timely and accurate financial reports applicable to grants and awards. These reports may include monthly and cumulative expenditures, a project budget, and a balance remaining column.

Iowa AEYC 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 the Controller.

The following policies shall apply to the preparation and submission of billings and reports to awarding organizations:

1. If applicable, the Organization will request reimbursement after expenditures have been incurred.

2. Each award normally specifies a particular billing or reporting cycle. Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
4. Requests for reimbursement of award expenditures will use the actual amounts as posted to the general ledger as the source for all invoice amounts.
5. All financial reports required by each award will be prepared and filed on a timely basis. To the extent Iowa AEYC's year-end audit results in adjustments to amounts previously reported, revised reports shall be prepared and filed in accordance with the terms of each award.

Iowa AEYC 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 and requests for reimbursement are prepared, revenue and accounts receivable shall be recorded on the books of Iowa AEYC.

If an award authorizes the payment of cash advances to Iowa AEYC, the Controller may require that a request for such an advance be made. Upon receipt of a cash advance, Iowa AEYC 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.

Classification of Income and Net Assets

All income received by Iowa AEYC 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, Iowa AEYC may raise other forms of contribution income which carry stipulations that the Organization utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds, such as fundraising for a particular scholarship program. When this form of contribution income is received, Iowa AEYC 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), Iowa AEYC 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 Iowa AEYC Governing Board may determine that it is appropriate to set funds aside for specific projects. Such funds shall be classified as "unrestricted," labeled "Board-Designated," and reported as a separate component of unrestricted net assets.

CASH RECEIPTS

Overview

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

Processing of Checks and Cash Received in the Mail

The following procedures will be followed:

- Cash receipts are received in a central location to ensure that cash received is appropriately directed, recorded, and deposited on a timely basis.
- Mail is opened and a listing of cash/checks received shall be prepared in an open area, if possible, in the presence of other employees,
- The Administrative Assistant will prepare the daily deposit of receipts because she is not involved in the accounts receivable or accounts payable process.
- 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

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. Iowa AEYC
3. The bank name
4. The bank account number of Iowa AEYC

Timeliness of Bank Deposits

Bank deposits will be made no less frequently than weekly, more frequently if large funds are received.

GRANTS RECEIVABLE MANAGEMENT

Monitoring and Recognition

Iowa AEYC records grants receivable and income as follows:

1. Upon receipt of the grant, the entire grant will be recorded as a receivable and as deferred revenue, a current liability.
2. During the year, when cash is received for expenses incurred, the deferred revenue account is reduced and the cash is recorded as grant income.
3. In order to comply with GAAP requirements, at the end of the fiscal year, the remaining deferred amount will offset the remaining receivable, and advance will be recorded as deferred revenue.

Therefore, management and the board will be able to monitor the progress of the entire grant at any time during the year.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

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

Active Receivables:

1. Invoice is generated and mailed by a Counselor. A copy is given to the Controller to post as a receivable.
2. If unpaid at month end the following month, a statement will be sent by the Controller.
3. If at month end the second month, the Controller will reach out to the Counselor to be sure the invoice is still accurate. The Counselor will follow-up with the source.
4. Invoices for Active Participants should not be written off. Any unpaid invoices should be resolved and/or corrected/paid.

Withdrawal Receivables:

1. Upon notification of a withdrawal an invoice will be generated and mailed by the Counselor. A copy is given to the Controller to post as a receivable and to set up a repayment plan.
2. As long as there has been a payment during the month, the account will stay current and remain in good standing.
3. At month end the first month following invoicing, a statement will be mailed.
4. If no communication or payment has been received by month end the second month, the Counselor will contact the student.
5. At month end of the third month, if no communication or payment has been received, a Past Due stamp will be put on the monthly statement.
6. At month end of the fourth month, if no communication or payment has been received, a label will be attached to the statement.
7. If no communication or payment has been received by month end the fifth month, a letter from the Executive Director will be mailed with a statement.
8. If at six months from the date of the invoice no communication or payment has been received, A/R write-off Authorization Procedure will be followed. See below.

Credits and Other Adjustments to Accounts Receivable

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

Accounts Receivable Write-Off Authorization Procedures

All available means of collecting accounts receivable will be exhausted before write-off procedures are initiated. Write-offs are initiated by the Accounting Department. If an account receivable is deemed uncollectible, the Accounting department will notify the appropriate program manager when the write-off is to occur.

Once a write-off has been processed, appropriate individuals in the originating department will be advised so 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:

Current year invoices that are written off will either be charged against the appropriate revenue or revenue adjustment account, or against the original account credited.

POLICIES ASSOCIATED WITH EXPENDITURES AND DISBURSEMENTS

PURCHASING POLICIES AND PROCEDURES

Overview

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

Iowa AEYC requires the practice of ethical, responsible, and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. The policies in this section describe the principles and procedures that all staff shall adhere to in the completion of their designated responsibilities.

The goal of these procurement policies is to ensure that materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders.

Responsibility for Purchasing

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

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

Code of Conduct in Purchasing (A-110_40)

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

- Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services.
- Staff shall notify their immediate Manager if they are offered such gifts.
- No officer, board member, employee, or agent 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 shall neither solicit nor accept gratuities, favors, or anything of monetary value from vendors or parties to sub-agreements.
- Unsolicited gifts of a nominal value (\$25 or less) may be accepted with the approval of the Executive Director.

Competition (A-110_43)

In order to promote open and free competition, purchasers will:

- Be alert to any internal potential conflicts of interest.
- Be alert to any noncompetitive practices among contractors that may restrict, eliminate or restrain trade.
- Not permit contractors who develop specifications, requirements or proposals to bid on such procurements.
- Award contracts to bidders whose product/service is most advantageous in terms of price, quality and other factors.
- Issue solicitations that clearly set forth all requirements to be evaluated.
- Reserve the right to reject any and all bids when it is in the Organization’s best interest.

Non-Discrimination Policy

All vendors/contractors who are the recipients of Organization funds, or who propose to perform any work or furnish any goods under agreements with Iowa AEYC, 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 employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause. Notices, advertisement and solicitations placed in accordance with Federal law, rule, or regulation shall be deemed sufficient for meeting the intent of this section.

Procurement Procedures

The following are Iowa AEYC’s procurement procedures:

1. Iowa AEYC shall avoid purchasing items that are not necessary for the performance of the activities required by a Federal award. (A-110_44(1))
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. (A-110_44(2)) This analysis should only be made when both lease and purchase alternatives are available to the program.

3. Some form of price analysis shall be made for every procurement. Price analysis may be made in various ways, including comparison of price quotations submitted or market prices. (A-110_45) For routine supplies, price comparisons of a representative "basket" of items will be made once per year and vendors who provide these items at a reasonable price will be approved for use.
4. Documentation of the cost and price analysis associated with each procurement decision shall be retained in the procurement files pertaining to each Federal award. (A-110_46)
5. For all procurements in excess of the small purchase acquisition threshold (\$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.
6. Iowa AEYC shall make all procurement files available for inspection upon request by an awarding organization.
7. 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 is the purchase is made with federal funds. (Alternatively, the Organization may research potential vendors on the Excluded Parties List at the GSA\ website.)
8. Iowa AEYC shall not utilize the "cost-plus-a-percentage-of-costs method of contracting. (A-110_44(3)(c))

Use of Purchase Orders/Check Requests

Iowa AEYC uses a combination purchase request/check request form. A properly completed purchase request shall be required for each purchase decision (i.e., total amount of goods and services purchased, not unit cost) in excess of \$500, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual. A properly completed purchase request shall contain the following information, at a minimum:

1. Specifications or statement of services required
2. Vendor name, address, point of contact and phone number
3. Source of funding (if applicable)
4. Delivery or performance schedules
5. Delivery, packing and transportation requirements
6. Special conditions (if applicable)
7. Catalog number, page number, etc. (if applicable)
8. Net price per unit, less discount, if any
9. Total amount of order
10. Authorized signature
11. Date purchase order was prepared

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

Authorizations and Purchasing Limits

All completed purchase orders must be signed by the preparer and approved by the Program Manager. The following table displays required approvals and solicitations:

Amount of Purchase	Required Approvals	Required Solicitation	Documentation
< \$500	Program Manager		Invoice and support for bids (purchase order not required)
\$500 ≤ \$5,000	Program Manager	2 oral, online or written bids	Approved purchase order and support for bids
\$5,001 ≤ \$25,000	Program Manager Executive Director	3 written bids	Approved purchase order and written bids
> \$25,000	Executive Director Board President or Board Treasurer	3 written bids	Approved purchase order and written bids

Required Solicitation of Quotations from Vendors

Solicitations for goods and services (requests for proposals or RFPs) should provide for all of the following:

1. A clear and accurate description of the technical requirements for the material, product or service to be procured. Descriptions shall not contain features which unduly restrict competition. (A-110_44(a)(3)(i))
2. Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals (see the next section entitled "Evaluation of Alternative Vendors" for required criteria) (A-110_44(a)(3)(ii))
3. Technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards. (A-110_44(a)(3)(iii))
4. The specific features of "brand name or equal" descriptions that bidders are required to meet when appropriate. (A-110_44(a)(3)(iv))
5. The acceptance, to the extent practical, of products and services dimensioned in the metric system of measurement. (A-110_44(a)(3)(v))
6. Preference, to the extent practical, for products and services that conserve natural resources and protect the environment and are energy efficient. (A-110_44(a)(3)(vi))
7. Preference for recycled products pursuant to EPA guidelines. (A-110_16)
8. A description of the format, if any, in which proposals must be submitted, including the name of the person to whom proposals should be sent.
9. The date by which proposals are due.
10. Required delivery or performance dates/schedules.
11. Clear indications of the quantity(ies) requested and unit(s) of measure.

Extensions of Due Dates and Receipt of Late Proposals

Solicitations should provide for sufficient time to permit the preparation and submission of offers before the specified due date. However, an extension may be granted if a prospective offeror so requests.

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

Evaluation of Alternative Vendors

Vendors shall be evaluated on a weighted scale that considers the following criteria:

1. Adequacy of the proposed methodology
2. Skill and experience of key personnel
3. Demonstrated experience
4. Other technical specifications designated by department requesting proposals
5. Compliance with administrative requirements of the request for proposal (format, due date, etc.)
6. Vendor's financial stability
7. Vendor's demonstrated commitment to the nonprofit sector
8. Results of communications with references supplied by vendor
9. Ability/commitment to meeting time deadlines
10. Cost
11. Minority- or women-owned business status of vendor
12. Other criteria (to be specified by department requesting proposal)

Not all of the preceding criteria may apply in each purchasing scenario. However, the department responsible for the purchase shall establish the relative importance of the appropriate criteria prior to requesting proposals and shall evaluate each proposal on the basis of the criteria and weighting that have been determined.

After a vendor has been selected and approved by the Program Manager, the final selection shall be approved by the Executive Director prior to entering into a contract.

Affirmative Consideration of Minority, Small Business & Women-Owned Businesses

(A-110_44(3)(b))

Positive efforts shall be made by Iowa AEYC to utilize small businesses, minority-owned firms, and women's business enterprises, whenever possible. Therefore, the following steps shall be taken:

1. Ensure that small business, minority-owned firms, and women's business enterprises are used to the fullest extent practicable. *(A-110_44(3)(b)(1))*
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. *(A-110_44(3)(b)(2))*
3. Consider in the contract process whether firms competing for larger contracts tend to subcontract with small businesses, minority-owned firms and women's business enterprises. *(A-110_44(3)(b)(3))*

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. (A-110_44(3)(b)(4))
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 minority-owned firms and women's business enterprises. (A-110_44(3)(b)(5))

Provisions Included in All Contracts (A-110 Appendix A)

Iowa AEYC includes all of the following provisions, as applicable, in all contracts charged to Federal awards (including small purchases) with vendors and subgrants to grantees:

1. **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 Iowa AEYC 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. Iowa AEYC will 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 Iowa AEYC 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. Iowa AEYC will place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation and the award of a contract shall be conditioned upon the acceptance of the wage determination. Iowa AEYC shall also obtain reports from contractors on a weekly basis in order to monitor compliance with the Davis-Bacon Act. Iowa AEYC 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):** All contracts awarded by Iowa AEYC 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 work week 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. **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).
6. **Byrd Anti-Lobbying Amendment (31 U.S.C. 1352):** For all contracts or subgrants of \$100,000 or more, Iowa AEYC shall obtain from the contractor or subgrantee a certification that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Likewise, since each tier provides such certifications to the tier above it, Iowa AEYC shall provide such certifications in all situations in which it acts as a subrecipient of a subgrant of \$100,000 or more.
7. **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) (\$100,000 in 2005), Iowa AEYC 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) (\$100,000 in 2005) 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) (\$100,000 in 2005) shall contain suitable provisions for termination by Iowa AEYC, 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.

Special Purchasing Conditions

Emergencies:

Where equipment, materials, parts, and/or services are needed, quotations will not be necessary if the health, welfare, safety, etc., of staff and protection of Organization property is involved.

Single Distributor/Source:

Sole source purchases will be made only when solicitation of multiple vendors is not feasible and one of the following conditions apply:

- The item or service is only available from one source,

- The situation is a public emergency,
- The awarding agency approves the purchase, or
- Competition is deemed inadequate (insufficient bidders)

A cost/price analysis is required and approval from the funding agency may be necessary if the purchase is over the small purchase threshold (\$100,000).

Vendor Files and Required Documentation

The Administrative Specialist shall create a vendor folder for each new vendor from whom Iowa AEYC purchases goods or services.

The Accounting Department shall mail a blank Form W-9 to new vendors and request that the vendor complete and sign the W-9 (or provide equivalent, substitute information) and return it in the postage-paid envelope provided. Completed, signed Forms W-9 or substitute documentation shall be filed in each vendor's folder. Vendors who do not comply with this request shall be issued a Form 1099 at the end of each calendar year in accordance with the policies described in the section of this manual on "Government Returns." See the section on "Payroll and Related Policies" for guidance on determining whether a vendor should be treated as an employee.

Receipt and Acceptance of Goods

All goods will be inspected upon receipt and the following actions shall immediately be taken:

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

This inspection must be performed in a timely manner to facilitate prompt return of goods and/or communication with vendors.

POLITICAL INTERVENTION

Prohibited Expenditures

Consistent with its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, Iowa AEYC shall not incur any expenditure for political intervention. For purposes of this policy, political intervention shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the Federal, state or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

Endorsements of Candidates

Iowa AEYC will not 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 Iowa AEYC, when these individuals are acting on behalf of, or are otherwise representing, the Organization.

Prohibited Use of Organization Assets and Resources

No assets or human resources of the Organization shall be utilized for political activities, as defined above. This prohibition extends to the use of Organization assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of Iowa AEYC. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing the Organization), these individuals must at all times be aware that Organization resources cannot at any time be utilized in support of political activities.

LOBBYING

Introduction

Unlike political intervention, described in the preceding section, expenditures by a section 501(c)(3) public charity for lobbying activities are allowable under the Internal Revenue Code. However, **no** lobbying expenditures may be charged directly or indirectly to any Federal award (i.e., the charity must have a non-Federal source of income to which such lobbying costs can be cited as the source of the activity).

Definition of Lobbying Activities

Lobbying activities conducted by the Organization may be either direct or indirect. Direct lobbying activities consist of attempts to influence legislation through communication with any member or employee of a legislative body (Federal, state, or local levels) or, if the principal purpose of the communication is lobbying, with any government official or employee who may participate in the formulation of the legislation. Direct lobbying occurs when employees of the Organization or paid lobbyists communicate directly in attempts to influence legislation. Lobbying is distinguishable from advocacy activities, which involve efforts to advocate certain positions which may have legislative implications, as long as a nonpartisan analysis of the relevant facts is performed.

Lobbying occurs only when there is a specific piece of legislation or legislative proposal pending that the Organization is attempting to influence. Therefore, lobbying is considered to have taken place only if both of the following elements are present:

1. The communication refers to specific legislation (legislation that has been introduced or a specific legislative proposal that the Organization supports or opposes), and
2. The communication reflects a view on the legislation (supporting or opposing it).

Indirect lobbying involves communications with the general public (rather than directly with legislators, etc.) where the communication includes the same two preceding characteristics, plus it encourages the recipient of the communication to take action with respect to the specific legislation (by contacting legislators, etc.).

Segregation of Lobbying Expenditures

Lobbying expenditures are allowable for charities under the Internal Revenue Code. However, lobbying may not represent a substantial portion of the Organization's overall activities. The Organization's tax exemption would be at risk if lobbying becomes a substantial portion of the Organization's activities.

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

Lobbying Election

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

If Iowa AEYC incurs lobbying expense, it will make the Internal Revenue Code section 501(h) lobbying election by filing Form 5768, and leave that election in place. As a result, the Organization shall report its lobbying expenditures by completing the section for "Electing Charities" on Schedule A that accompanies its annual Form 990 information return filed with IRS.

ACCOUNTS PAYABLE MANAGEMENT

Overview

Iowa AEYC 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. The following are general policies for accounts payable:

- Assets or expenses and the related liability are recorded by an individual who is not responsible for ordering and receiving.
- The amounts recorded are based on the vendor invoice for the related goods or services.
- The vendor invoice should be supported by an approved purchase order where necessary, and should be reviewed and approved by a Program Manager prior to being processed for payment.
- Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

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

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

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed on a weekly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

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 by the tenth day of the following month shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Preparation of a Voucher Package

Prior to any accounts payable being submitted for payment, a package called a “voucher package” shall be assembled. Each voucher 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)
4. Purchase order as required by procurement policies
5. Any other supporting documentation deemed appropriate

Processing of Voucher Packages

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

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 Program Manager (or their designee) associated with the goods or services purchased.

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

Payment Discounts

To the extent practical, Iowa AEYC takes advantage of all prompt payment discounts offered by vendors. When such discounts are available, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form (see further policies under “Travel and Business Entertainment”). All required receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle if received within two business days of the deadline.

When appropriate, employees will be asked to share a hotel room with a coworker to ensure hotel per diem rates may be met. Employees will not be asked to share a bed and will not be asked to share a

room with a board member, or with a Manager. In-state mileage will be incurred at the state mileage rate. No meals will be reimbursed for in-state travel, unless an overnight stay is required.

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 Executive Director.

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

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

Management of Accounts Payable Vendor Master File

Upon the receipt of an invoice from a new vendor that is not already in Iowa AEYC's Accounts Payable Vendor Master File, the Controller shall mail (or email) a Form W-9 and a request for completion of the Form W-9, including the vendor's full address and Federal employer identification number.

Vendor files shall include all of the following data:

1. Vendor's legal name and any DBA name(s)
2. Street address (payments may be mailed to a P.O. Box, but a street address must be in the file)
3. Federal employer identification number
4. Telephone number
5. Fax number
6. Contact name

Payments shall not be made to any vendor whose file does not comply with the preceding requirements.

On an annual basis, vendors that have not been utilized over the preceding 24-month period shall be purged (or made inactive) from the master vendor file.

TRAVEL AND BUSINESS ENTERTAINMENT

Overview

Iowa AEYC will reimburse employees and Board members for travel and other out-of-pocket expenses that are incurred on behalf of the Organization. All overnight travel must be approved prior to the trip by the Executive Director.

Travel Advances

Travel costs will be reimbursed upon presentation of itemized, valid receipts.

If required, funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are generally limited to per diems unless there is an extraordinary need for additional funds. 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.

Employee and Director Business Travel

At the conclusion of an Iowa AEYC business trip, an employee or member of the Governing Board 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, reimbursed mileage, and per diems, all business expenses must be supported with invoices/receipts.
3. Employees or Board members will be reimbursed for meals and incidentals at standard IRS/GSA per diem rates which can be found at www.gsa.gov. Iowa AEYC will reimburse 75% of the per diem on the days leaving and returning.
3. Vendor receipts/invoices must be submitted for all lodging and expenditure other than meals such as cab fares. 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 standard rate set by the State of Iowa in effect during the period of travel.
6. The business purpose of each trip must be adequately explained on each report.

7. General ledger account coding must be identified for all expenditures.
8. For all meals and other business expenditures, the following must be clearly identified:
 - a. Names, titles, organizations, and business relationships of all persons entertained
 - b. The business purpose of the meal or other business event (topics discussed, etc.)
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.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the expense report results in a balance due to Iowa AEYC (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check or sign a statement indicating authorization to settle the balance due through a payroll deduction.

No further travel advances will be issued to any employee who has an outstanding balance due to Iowa AEYC from previous business trips.

If the employee leaves Iowa AEYC within the following year, his/her Manager may require reimbursement to the Association for professional fees, staff development and travel costs incurred to attend professional development or conferences.

Reasonableness of Travel Costs

Iowa AEYC 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. Ask hotels for any available discounts – nonprofit, government or corporate rates.
3. Staff may be asked to share a room with one same-sex member of the staff while traveling to conferences together. Any concern regarding this policy should be brought to the attention of the Executive Director.
4. When utilizing rental cars, travelers should rent midsize or smaller vehicles. Share rental cars whenever possible.
5. Reasonable tips for baggage handling shall be reimbursed. No receipts are required.
6. Foreign travel charged to Federal grants must be approved in writing by the funding source prior to travel.

Special Rules Pertaining to Air Travel

The following additional rules apply to air travel:

1. Air travel should be at the lowest commercial discount fare at the time the ticket is purchased except when this fare would:
 - a. Require circuitous routing

- b. Require travel during unreasonable hours
 - c. Excessively prolong travel
 - d. Result in additional costs that would offset the transportation savings, or
 - e. Offer accommodations not reasonably adequate for the traveler's medical needs.
2. First class air travel shall not be reimbursed unless there is a documented medical reason, and such use must be approved in advance by the Executive Director. First class air travel for the Executive Director must be approved in advance by the Governing Board.
 3. Memberships in airline flight clubs is not reimbursable.
 4. Cost of flight insurance is not reimbursable.
 5. When airfare is \$1000 or more, quotes from a travel agency and/or an airline should be obtained and attached to the expense report to document that lower cost service was not available via another airline.
 6. When returning on a Sunday or departing on a Saturday in order to obtain a cost savings in airfare due to the Saturday-night stay-over, travelers should provide a total cost comparison (showing that the lower airfare plus an extra night lodging, meals & incidentals is less costly than airfare without the Saturday night stay-over).
 7. Cost of upgrade certificates is not reimbursable.
 8. 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.).
 9. 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., Iowa AEYC will not reimburse for the personal legs of a trip).

Spouse/Partner Travel

Iowa AEYC does not 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, unless other staff members are expected to share a room on the same trip.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

Check Preparation

Iowa AEYC prints vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

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

1. Expenditures must be supported in conformity with purchasing, accounts payable, and travel and business entertainment policies described in this manual.
2. Timing of disbursements should generally be made to take advantage of all early-payment discounts.
3. Generally, all 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 and unused checks are stored in a locked safe in the accounting department.
7. Checks shall never be signed prior to being prepared.
8. Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Check Signing

Checks of less than \$5,000 require a single signature. Checks of \$5,000 or more require two signatures unless they are generated by the T.E.A.C.H. or WAGE\$ database or are for the payment of the organization credit card. If the database generates an approved check, one signature will suffice until the amount is more than \$10,000 and one signature will suffice for the payment of the organization credit card until the amount is more than \$10,000. No check shall be signed prior to the check being completed in its entirety (no signing of blank checks). Iowa AEYC's authorized check signers are the Executive Director, the Board President, and the Treasurer or at least one other designated Executive Committee member. Signers shall be identified annually at a Governing Board meeting, and may vary year-to-year based on the physical location of the Governing Board Members

Checks shall be signed by an individual other than the one who approved the transaction for payment.

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 Controller for immediately mailing. Checks shall not be mailed by or returned to individuals who authorize expenditures. Payees who pick up checks must sign for them.

Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as "VOID." All voided checks shall be retained to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel with this authority. A journal entry is made to record the stop payment and any related bank fees. Checks are not reissued because of being lost in the mail until 90 days have passed.

Recordkeeping Associated with Independent Contractors

Iowa AEYC shall obtain a completed Form W-9 or equivalent substitute documentation from all vendors to whom payments are made (see "Accounts Payable Management" policies). 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.

CREDIT CARDS

Issuance of Organization Credit Cards

Iowa AEYC will maintain two credit card accounts, one in the name of the organization and one in the Executive Director along with the name of the organization. The organization credit card may be used for travel expenditures such as airfare and hotel and in circumstances when the best price can be obtained (for example, books purchased on the Internet).

Cardholder Responsibilities

Every month, the Executive Director will be provided with a statement detailing the expenditures that were charged to the corporate credit card. The Executive Director will review this statement within five days for any inadvertent personal or unauthorized uses of the card. The Board Treasurer will review credit card statements at least quarterly. Cardholders must reimburse the Organization for any such inadvertent personal charges within the same five-day period.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the Controller for further investigation with the credit card provider.

Personal use of organization credit cards is strictly prohibited. Any personal use will subject the employee to the Organization's disciplinary actions discussed earlier in this manual and in the Personnel Manual.

Credit card charges are approved by the Program Manager or Executive Director and compiled by the Controller. Documentation of travel and valid business entertainment expenditures shall be provided by any employee using the credit card for purchases and will include all of the same elements as described in the earlier policy on "Employee and Director Business Travel" (i.e., names of people involved, business purpose, etc.). The credit card statement is approved for payment by the Executive Director.

Employee Credit Cards

Employees and officers incurring legitimate Organization business expenses may utilize their personal credit cards for such expenditures. The Organization shall reimburse employees and officers for properly supported and documented business expenditures charged to personal credit cards during the next check run after the proper completion of an expense report. (See the earlier policy on Travel and Business Entertainment for expense report preparation procedures.) Travel advances may be requested in special circumstances (e.g. situations in which legitimate business expenses are expected to exceed an employee's credit card limit or other special cases).

PAYROLL AND RELATED POLICIES

Classification of Workers as Independent Contractors or Employees

Iowa AEYC considers all relevant facts and circumstances regarding the relationship between the Organization and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between Iowa AEYC and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

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

Facts associated with each of these categories that will be considered in making employee/contractor determinations shall include:

1. Behavioral control:
 - a. Instructions given by Iowa AEYC 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 Iowa AEYC 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 Iowa AEYC (greater investment associated with contractors).
 - c. The extent to which the worker makes services available to the relevant market.
 - d. How Iowa AEYC 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 Iowa AEYC and the individual intend to create.
 - b. Whether Iowa AEYC 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 Iowa AEYC.

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 Iowa AEYC personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

Payroll Administration

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

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

1. Iowa AEYC 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. 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
11. Authorization for direct deposit of paycheck, along with a voided check or deposit slip

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

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
7. Changes in bank accounts for direct deposit accounts.

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the Executive Director. Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee. Documentation of all changes in payroll data shall be maintained in each employee's personnel file.

Payroll Taxes

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

Iowa AEYC will obtain an updated Form W-4 from each employee at the time of hire and when a change is requested by the employee. Withholding of Federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Preparation of Timesheets

Each Iowa AEYC employee must submit to the Accounting Department a signed and approved timesheet no later than 9:00 a.m. on the Monday following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

1. Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not.
2. Timesheets shall be prepared in ink (or electronically).

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, the Manager shall approve timesheets prior to submission to the Accounting Department. Corrections identified by the Controller, Manager or Executive Director shall be authorized by the employee by initialing next to the change.

An Organization employee who is on leave, traveling, or is ill on the day that timesheets are due may telephone or email timesheet information (actual time worked and the appropriate classifications) to his or her Manager (or designated alternate). 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 (Manager or designated alternate)." The timesheet shall be signed by the Manager.

Processing of Timesheets

The Controller will process the timesheets by checking them for mathematical accuracy (not required if timesheets are electronic), then entering all timesheets into the payroll system.

The Controller may not change or correct timesheets. When errors are noted, if a corrected and approved timesheet is not resubmitted in time to the Controller, the employee may not receive a pay check until the next pay period.

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

Distribution of Payroll

Payroll payments (or check stubs for electronic deposits) shall be distributed by the Controller who does not approve timesheets, and is not responsible for hiring and firing.

POLICIES PERTAINING TO SPECIFIC ASSET ACCOUNTS

CASH AND CASH MANAGEMENT

Cash Accounts

General Checking Account (operating account):

The primary operating account provides for routine business check disbursements. All cash and credit card deposits are made to this account.

Cash transfers are done on an as needed basis to cover disbursements. Excess funds in this account are transferred into short-term investments or higher interest-bearing cash equivalents.

In addition, all advances of Federal funds shall be deposited in an interest-bearing account and interest earned in excess of \$100 shall be returned to the awarding agency. Interest earned on such funds will be allocated to Federal awards based on the percentage of funds received during the month for each award.

Savings Account:

If the Organization also maintains an interest-bearing savings account. Any funds in excess of two months' anticipated cash flow will be held in the operating checking account shall be transferred into the Organization's savings account. Transfers to or from the savings account shall be initiated by the Controller.

Authorized Signers

The following Iowa AEYC personnel are authorized to sign checks drawn on the general operating accounts:

- Executive Director
- Board President
- Board Treasurer
- Designated Governing Board Member

The Controller will promptly notify the Organization's financial institutions of changes in authorized signatures upon the departure of any authorized signer. Refer to the section titled "Check Signing" for procedures.

Bank Reconciliations

Bank account statements are received each month and will be reviewed by the Controller. The statement shall be reviewed for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. (This review must be performed in a timely manner so that reconciliation of the bank account is not delayed.) This reconciliation between the bank balance and general ledger balance is prepared by someone who is not an authorized check signer. The bank reconciliation process will be completed within one week of receipt of each bank statement. The Executive Director will review the reconciliation on a monthly basis. Unusual or unexplained items shall be reported immediately to the Finance Committee.

The reconciliation process shall involve an inspection of the fronts and backs of cancelled checks returned with the bank statement. The purpose of this inspection is to identify signs of forgery, altered or substitute checks, unusual endorsements, or other signs of fraudulent activity. If the Organization's financial institution does not return original cancelled checks or paper copies thereof, the person preparing the monthly bank reconciliation shall view electronic copies of cancelled checks provided by the financial institution via CD-ROM or Internet access to the Institution's web site.

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

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

Cash Flow Management

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

Iowa AEYC adheres to the requirements of its grants which may prohibit loaning funds between programs, therefore, cash management and reporting is performed at the program level as well as for the Organization as a whole.

Stale Checks

Iowa AEYC will write off checks of \$200 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 \$200, 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.

Iowa AEYC will also comply with Iowa laws regarding unclaimed property. Accordingly, if uncashed checks are subject to a state reporting and transfer requirement, the Organization shall file all appropriate forms and remit unclaimed property to the appropriate jurisdiction.

Petty Cash

Iowa AEYC will not keep a petty cash account.

Wire Transfers

The Controller and the Executive Director shall be the only Iowa AEYC employees authorized to transact wire transfers from Iowa AEYC bank accounts. To prevent anyone other than the Controller and the Executive Director from transacting wire transfers, a system shall be employed that requires the use of pass codes and the calculation of a test-key for each wire transfer. Pass codes, issued only to the Controller and Executive Director, are assigned by the bank and are changed semi-annually.

Confirmations of all wire transfers are delivered to the Executive Director.

PREPAID EXPENSES

Accounting Treatment

Iowa AEYC treats payments of expenses that have a time-sensitive future benefit as prepaid expenses and will amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$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 Accounting Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

INVESTMENT POLICIES

Introduction

Iowa AEYC treats all assets of the Organization, including those funds that are legally unrestricted, as though they are held 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 shall be those of a prudent investor.

Funds to be invested do not include those from Federal awards. Such funds will be spent on program requirements as budgeted, or returned to the awarding agency. Any advances of Federal funds will be maintained in an interest-bearing account. Interest earned on such funds will be allocated to federal grants based on a percentage of funds received during the month.

Delegation of Authority

The Governing Board of Iowa AEYC has delegated supervisory authority over its investing activities to the Finance Committee. The Finance Committee is responsible for regularly reporting on the Organization's investments to the full Governing Board.

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

Investment Objectives

Iowa AEYC'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.

Allowable Investments

Investments of Iowa AEYC shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$100,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities;
3. Repurchase agreements with financial institutions, collateralized by U.S. Treasury or Federal agency securities;
4. Corporate bonds and notes rated A or better by Moody's and Standard & Poors;
5. Commercial paper rated P-1/A-1 by Moody's and Standard & Poors;
6. Money market funds that invest in securities approved under these guidelines.

Iowa AEYC shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Diversification

No more than 24% of the investments of Iowa AEYC shall be in the securities of any one issuer, with the exception of obligations of the U.S. government, its agencies and instrumentalities, and Federally-insured certificates of deposit.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to Iowa AEYC 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, Iowa AEYC carries all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of Iowa AEYC on a quarterly basis.

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

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 Iowa AEYC and accurately reflect the current financial condition of the Organization:

1. The Controller 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 Controller and Investment Counselor shall prepare a schedule of investments for presentation on a quarterly basis for the Finance Committee and on an annual basis for the Governing Board.
- 3. The quarterly investment reports shall detail the portfolio's composition and performance for the quarter and year-to-date, along with a comparison to budget and to the prior year.
- 4. The annual investment report shall be presented to the Governing Board at the time the Iowa AEYC 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 and for last three years.
- 5. Investment policies shall be reviewed annually by the Executive Director and the Treasurer, working with the Finance Committee, to determine any appropriate modifications.
- 6. Recommendations for any revisions or modifications to the investment policy will be made by the Finance Committee to the Governing Board for their approval.

PROPERTY AND EQUIPMENT

Capitalization Policy

Physical assets acquired with unit costs in excess of \$5,000 are capitalized as property and equipment on the Organization's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

If an awarding agency requires a lower amount for equipment, Iowa AEYC will adhere to that dollar amount only for that program or contract.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land, are subject to depreciation over their estimated useful lives, as described later.

Capitalized assets will be reported as expensed for grants if they were so budgeted in the grant application. However, for the Organization's financial statements, these assets will be capitalized and depreciated according to these policies.

Contributed Assets

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to Iowa AEYC 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.

Equipment and Furniture Purchased With Federal Funds (A-110_34)

Iowa AEYC 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 Iowa AEYC, described under Asset Management.

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

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of \$5,000 or less at the conclusion of the award, Iowa AEYC shall retain the equipment without any requirement for notifying the Federal agency.
3. If the remaining per unit fair market value is \$5,000 or more, Iowa AEYC 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 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 Iowa AEYC.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized property and equipment shall be recorded in a property log. This log shall include the following information with respect to each asset: (A-110_34 (f)(1))

1. Date of acquisition
2. Cost
3. Description (including color, model, and serial number or other identification number)
4. Source of the equipment, including the Federal award number, if applicable
5. Whether the title vests in the Organization or the Federal Government
6. Information to calculate the Federal share of the cost of the equipment, if applicable
4. Location of asset
5. Depreciation method
6. Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by Iowa AEYC. 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 Executive Director.

Receipt of Newly-Purchased Equipment and Furniture

At the time of arrival, all newly-purchased equipment and furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the 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 property and equipment account group and are not included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line] method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the fifth month shall have eight full months of depreciation (eight-twelfths of one year) recorded for that year.)

Estimated useful lives of capitalized assets shall be determined by the Accounting Department in conjunction with the department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

Furniture and fixtures	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

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

Repairs of Property and Equipment

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

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

Dispositions of Property and Equipment

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

(if the money received is less than the book value) or a gain (if the money received is more than the book value).

Write-Offs of Property and Equipment

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

LEASES

Classification of Leases

Iowa AEYC classifies all leases in which the Organization is a lessee as either capital or operating leases. Iowa AEYC 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 Iowa AEYC 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 Iowa AEYC'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.

Reasonableness of Leases

Iowa AEYC assesses the value of leases according to the requirements of A-122_43 as follows:

- The rate is reasonable when compared to similar property in the same area,
- The rate of any alternatives, and
- The type, life expectancy, condition and value of the property leased.

Rental arrangements will be reviewed every five years to determine if circumstances have changed and other options are available.

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 lease payment is due. 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 Iowa AEYC 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.

All leases that are classified as capital leases shall be treated as fixed asset additions. As such, upon the inception of a capital lease, Iowa AEYC shall record a capitalized 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 capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

Iowa AEYC shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms, including a schedule of future annual lease payments obligations.

SOFTWARE ACQUISITION AND DEVELOPMENT COSTS

Costs to be Capitalized

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

1. External direct costs (i.e., amounts paid to vendors) of materials and services for developing or obtaining internal-use software ("developing" to include design, coding, installation and testing);
2. Internal payroll and related costs (employee benefit costs) for employees who are directly associated with, and who devote time to, an internal-use software project (i.e., the same types of software development costs described above);
3. Interest costs incurred in developing software; and
4. Costs associated with upgrades and enhancements when it is probable that these expenditures will result in additional functionality.

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

Costs to be Expensed as Incurred

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

1. External and internal costs incurred in the preliminary project phases, such as costs associated with making decisions to allocate resources to the project, determining performance requirements and specifications, and reviewing and selecting vendors and consultants;
2. Research and development costs;
3. General and administrative costs;
4. Data conversion;
5. Training costs; and
6. Internal maintenance costs.

POLICIES PERTAINING TO LIABILITY AND NET ASSET ACCOUNTS

ACCRUED LIABILITIES

Identification of Liabilities

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

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

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

Accrued Leave

Personnel policies permit employees to carry forward up to three (3) weeks of unused leave from year to year. Such unused leave is payable to an employee upon termination of employment.

Accordingly, Iowa AEYC records a liability for accrued leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to a maximum of 3 weeks of an employee's normal work week, multiplied by each employee's current hourly pay rate.

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.

NOTES PAYABLE

General Policy

Iowa AEYC requires that all notes payable be approved by the Governing Board and signed by the Board President.

Recordkeeping

Iowa AEYC maintains a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

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

Accounting and Classification

An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position. The principal portion of payments due beyond one year shall be classified as 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 accounting period.

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

Non-Interest-Bearing Notes Payable

As a charitable organization, Iowa AEYC 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, Iowa AEYC will record contribution income for any unpaid interest.

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

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, required to be paid. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

NET ASSETS

Classification of Net Assets

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

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. Permanent restrictions do not pass with the expiration of time, nor can they be removed through the Organization's actions.

Net assets accumulated that are not subject to donor imposed restrictions, but which the Governing Board 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.

Restrictions may be associated with either a time period (e.g. a particular future time period) or a purpose (e.g. specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in Iowa AEYC's Articles of Incorporation and Bylaws.

Reclassifications from Restricted to Unrestricted Net Assets

The Organization shall report in its statement of activities a reclassification from restricted to unrestricted net assets if any of the following events occur:

1. Fulfillment of the purpose for which the net assets were restricted (e.g. spending restricted funds for the stipulated purpose)
2. Expiration of time restrictions imposed by donors
3. Death of an annuity beneficiary
4. Withdrawal by the donor (or by a court) of a time or purpose restriction

If a donor stipulates multiple restrictions (such as a purpose and a time restriction), reclassifications from temporarily restricted to unrestricted net assets shall be reported only upon the satisfaction of the final remaining restriction.

Reclassifications from Unrestricted to Restricted Net Assets

If the Organization receives a restricted contribution from a donor who further stipulates that the Organization set aside a portion of its unrestricted net assets for that same purpose, the Organization shall report in its statement of activities a reclassification of net assets from unrestricted to temporarily or permanently restricted, based on the specific nature of the restriction.

Disclosures

The Organization discloses in a footnote to the financial statements the different types of temporary and permanent restrictions associated with the Organization's net assets as of the end of each fiscal year.

POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING

FINANCIAL STATEMENTS

Standard Financial Statements of the Organization

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

The basic financial statements that are maintained on an organization-wide basis shall include:

1. **Statement of Financial Position** - reflects assets, liabilities, and net assets of the Organization and classifies assets and liabilities as current or non-current/long-term.
2. **Statement of Activities** - presents support, revenues, expenses, and other changes in net assets of the Organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted), including reclassifications between categories of net assets.
3. **Statement of Cash Flows** - reports the cash inflows and outflows of the Organization in three categories: operating activities, investing activities, and financing activities.
4. **Statement of Functional Expenses** – presents the expenses of the Organization in a natural or objective format and by function (i.e., which program or supporting service was served).

Frequency of Preparation

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

A standard set of financial statements described in the preceding section shall be produced on a monthly basis, by the 15th of each month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

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

The monthly set of financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the 10th of the month, and actual depreciation expense.

Review and Distribution

All financial statements and supporting schedules shall be review and approved by the Executive Director prior to being issued by the Accounting Department.

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

- Treasurer and other members of the Finance Committee
- Executive Director
- Program Managers

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

Budget Variance Analysis and Projections

Program Managers will inform the Controller as soon as they become aware of variances in future periods that will exceed 10%. The Program Manager will determine if awarding agency approval is required for any budget changes.

Quarterly Distribution

On a quarterly basis, the Governing Board will be provided with summary program and/or grant financial information.

Special Quarterly Distribution

On a quarterly basis, a complete set of Iowa AEYC financial statements and supplemental schedules shall be distributed to the entire Governing Board.

Quarterly financial statements distributed to the board shall include an additional supplemental schedule prepared or compiled by the Controller. The purpose of this schedule is to provide explanations for material budget variances in accordance with Iowa AEYC'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 Governing Board at the Organization's Annual Meeting. This presentation will be preceded by a meeting with the 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, Iowa AEYC 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 Iowa AEYC include, but are not limited to, filing annual information returns with IRS, biannual reports for corporations, information returns for retirement plans, and payroll tax withholding tax returns.

Filing of Returns

The Controller shall be responsible for identifying all filing requirements and assuring that Iowa AEYC is in compliance with all such requirements. The Organization will file complete and accurate returns with all authorities and make all efforts to avoid filing misleading, inaccurate, or incomplete returns.

Filings made by Iowa AEYC 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 Iowa AEYC is due on the fifteenth day of the fifth month following year-end. An automatic 3-month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
2. **Form 990-T** - Annual tax return to report Iowa AEYC's unrelated trade or business activities (if any), filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. An automatic 6-month extension of time to file Form 990-T may be obtained by filing Form 8868.
3. **Form 5500** - Annual return for Iowa AEYC's employee benefit plans. Form 5500 is due July 31, but a request for extension of time to file may be filed.
4. **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.
7. **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.

Iowa AEYC's fiscal and tax year-end is June 30. All annual tax and information returns of Iowa AEYC (Form 990, Form 990-T) are filed on the accrual basis of reporting.

Federal and all applicable state payroll tax returns are prepared by the Organization's external Payroll Administrator (ADP or similar).

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

Public Access to Information Returns

Under regulations that became effective in 1999, Iowa AEYC 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. Iowa AEYC's original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

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

UNRELATED BUSINESS ACTIVITIES

Identification and Classification

Iowa AEYC properly identifies and classifies income-producing activities that are unrelated to the Organization's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger in order to facilitate tracking and accumulation of unrelated trade or business activities.

Allocation of Expenses to Unrelated Activities

In addition to segregating income associated with activities that are unrelated to Iowa AEYC's exempt purpose, the Organization's general ledger shall also provide accounts for expenses associated with each such unrelated activity. These expenses shall be offset against unrelated business revenue in arriving at unrelated business taxable income. Expenses that shall be offset against gross unrelated business income shall be limited to those expenses directly associated with the production of such income, including reasonable allocation of indirect costs that benefit each activity, in accordance with expense allocation policies described elsewhere in this manual.

Reporting

Iowa AEYC will file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is not subject to any public access or disclosure requirements. Accordingly, it is the policy of Iowa AEYC not to distribute copies of Form 990-T to anyone other than management of the Organization.

Iowa AEYC shall also report taxable income from unrelated trade or business activities that are subject to state or local income or franchise taxes on the appropriate return.

FINANCIAL MANAGEMENT POLICIES

BUDGETING

Overview

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

Budgets are also prepared for funding sources and each grant manager must be aware of budget modification requirements. Awarding agencies may or may not require approval for changes in line items. Iowa AEYC will document and follow all such requirements.

Preparation and Adoption

Iowa AEYC will prepare an annual budget on the accrual basis of accounting. The Controller gathers proposed organization-wide budget information from all Program Managers, the Executive Director and prepares the first draft of the budget.

After appropriate revisions and a compilation of all program budgets by the Controller, a draft of the Organization-wide budget, as well as individual department budgets, is presented to the Executive Director for discussion, revision, and initial approval.

The revised draft is then submitted to the Finance Committee and then to the entire Governing Board for adoption.

It is the policy of Iowa AEYC to adopt a final budget at least 30 days before the beginning of the Organization's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the Accounting Department to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Budgets for programs that are not on the Organization's fiscal year will be prepared in accordance with awarding agency requirements.

Monitoring Performance

Iowa AEYC monitors its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process described earlier.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the Accounting Department and distributed to each employee with budgetary responsibilities.

In addition, Department Directors shall submit monthly performance (non-financial) reports to the Executive Director, the Controller and Governing Board.

Budget and Program Revisions

If required, Iowa AEYC will request prior approval from awarding organizations 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 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 awarding agency.
6. 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.)

Budget Modifications

After a budget has been approved by the Governing Board and adopted by the Organization, reclassifications of budgeted expense amounts of less than \$2,000 within a single department may be made by the Program Director, with approval from the Executive Director. Reclassifications of budgeted expense amounts across departments of more than \$2,000 but less than \$5,000 may be made only with approval of the Executive Director.

Reclassifications in excess of the preceding thresholds, and any budget modification resulting in an increase in budgeted expenses or decrease in budgeted revenues shall be made only with approval of the Finance Committee.

ANNUAL AUDIT

Role of the Independent Auditor

Iowa AEYC will arrange for an annual audit of the Organization's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Governing Board will be required to communicate directly with the Organization's Finance Committee upon the completion of their audit. In addition, members of the Finance Committee and Executive Committee are authorized to initiate communication directly with the independent accounting firm.

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

How Often to Review the Selection of the Auditor

Iowa AEYC 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 Iowa AEYC 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
3. The firm's demonstrated ability to provide the services requested in a timely manner
4. The ability of firm personnel to communicate with Organization personnel in a professional and congenial manner

If Iowa AEYC 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 Iowa AEYC
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 Iowa AEYC
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 Controller 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 Controller 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 Governing Board for approval.

Preparation for the Annual Audit

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

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

Involvement - Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Organization's year-end. By performing significant

portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Organization staff will provide requested schedules and documents to assist the auditors during any interim audit fieldwork.

Throughout the audit process, Iowa AEYC will make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Concluding the Audit

Upon receipt of a draft of the audited financial statements of Iowa AEYC from its independent auditor, the Controller 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 Iowa AEYC
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 Controller.

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

In addition, the Single Audit Clearinghouse form shall be completed and a copy submitted to the Finance Committee.

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 Iowa AEYC.

Iowa AEYC maintains 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, Iowa AEYC will arrange for the following types and levels of insurance as a minimum:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Comprehensive Liability	\$2,000,000
Automobiles for Employees, Volunteers, or Escorts	\$1,000,000
Employee dishonesty/bonding	\$1,000,000 for all accounting department employees and the Executive Director
Fire and Water Damage	Coverage for all items with acquisition cost greater than \$1,000
Directors and Officers	\$1,000,000 (with an appropriate deductible level)
Theft	Coverage for all items with acquisition cost greater than \$1,000
Workers' Compensation	To the extent required by law

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

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

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.

Editor's Note: Organizations should consider adopting a policy whereby workers' compensation rates and classifications are reviewed on an annual or other periodic basis.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, Iowa AEYC 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.

Editor's Note: Bonding policies may or may not cover volunteers – check with your insurance agent. Bonding will generally not cover the Organization against theft by contractors. Accordingly, an organization's policies should be structured in a manner that limits the handling of cash and other assets to covered employees and, only if coverage is available, volunteers.

Comprehensive Liability

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

Editor's Note: Some Federal programs have separate insurance requirements. For example, Head Start programs must maintain liability, transportation, student accident and bonding insurance.

We recommend errors and omission insurance for the Governing Board. Even though state laws may limit board members liability, the Organization needs this protection.

RECORD RETENTION

Policy

Iowa AEYC retains records as required by law and destroys them when appropriate. The destruction of records must be approved by the Executive Director, and logged into the Organization's Destroyed Records Log. The formal records retention policy of Iowa AEYC 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	2 Years
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
Petty cash vouchers	3 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
Sales records	7 Years
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

Editor's Note: Recommendation for Record Retention

- ***Simplify the process by sorting out all permanent records and keeping all other records for 7 years. This will eliminate the need to track records for 1, 2, 3 or 7 years.***
- ***Use off-site storage or scanning for record retention***
- ***Know your state's laws. How long after an employee leaves your employ can they bring action against the Organization?***

BOARD GOVERNANCE

Editor's Note: In the "Organizational Structure" section of the "General Policies" portion of this manual, the responsibilities of the Audit and Finance Committees were introduced in general terms. This section of the manual provides a more detailed explanation of the roles of these two critical committees. The text of these model policies may also be used as the draft of committee charters adopted by each committee and approved by the Governing Board. The existence of the committees generally should be addressed in the Organization's Bylaws, with the details of each committee's responsibilities described in committee charters.

AUDIT COMMITTEE

Editor's Note: Ideally, there should be separate Audit and Finance Committees. However, in smaller nonprofits, it may be necessary to combine the functions into one committee.

Purpose

The primary responsibility for the Organization's financial reporting and internal controls rests with senior operating management, as overseen by the Organization's Governing Board (the "Board"). The purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling this responsibility by providing oversight of the Organization's audit functions (external and internal), as well as other investigations (external and internal).

Authority

The Audit Committee has authority to:

- Retain the Organization's external [and internal] auditors.
- Investigate any matter brought to its attention with complete and unrestricted access to all books, records, documents, facilities, and personnel of the Organization.
- Retain outside counsel, auditors, investigators, or other experts in the fulfillment of its responsibilities, including the sole authority to approve the firms' fees and other retention terms.

The Committee shall be provided with the resources necessary to discharge its responsibilities. The Board shall review the adequacy of this Charter on an annual basis. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

Membership

The Audit Committee shall be a standing committee of the Governing Board, comprised of not less than three members of the Board. Members of the Committee shall:

1. Have no relationship to the Organization that may interfere with the exercise of their independence from management and the Organization;
2. Not be members of the Organization's Finance Committee, a separate committee of the Governing Board;
3. Be financially literate regarding the specialized matters of Organization or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

In addition, at least one member of the Committee shall be a financial expert possessing the following characteristics:

1. An understanding of generally accepted accounting principles applicable to the Organization and financial statements;
2. The ability to assess the application of generally accepted accounting principles in connection with accounting for estimates, accruals, and reserves of the Organization;
3. Experience preparing, auditing, analyzing, or evaluating financial statements of comparable complexity to those of the Organization;
4. Understanding of internal controls and procedures for financial reporting; and
5. Understanding of audit committee functions.

Appointments to the Audit Committee shall be for two-year terms and eligible for consecutive appointments of no more than one additional two-year term.

Responsibilities

The Committee's role is one of oversight, recognizing that the Organization's management is responsible for preparing the Organization's financial statements and that the external auditors are responsible for auditing those financial statements. The Committee recognizes that the Organization's internal financial management team, as well as the external auditors, have more time and detailed information about the Organization than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee is not providing expert advice or any assurances as to the Organization's financial statements or any professional certification as to the external auditor's services.

The Committee shall have certain responsibilities in the areas of financial reporting, internal control, and organizational governance.

In the areas of financial **reporting and internal control**, the Committee shall:

- Oversee the external audit process, including nomination of the external audit firm, auditor engagement letters and fees, timing and coordination of audit fieldwork visits, monitoring of audit results, review of auditor's performance, and review of non-audit services provided by the external audit firm for compliance with professional independence standards;
- Review accounting policies;

- Review the Organization's financial statements, including year-end and interim financial statements, other reports requiring approval by the Board before submission to government agencies, and auditor opinions and management letters;
- Determine that all required tax and information return filings with Federal, state and local government agencies are current and in compliance with reporting requirements;
- Receive and review any other communications from the external auditors that the external auditors are required to submit to the Board or Committee under currently applicable professional auditing standards;
- Review and discuss with management the findings and recommendations communicated by the external auditor;
- Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by management;
- Meet privately with the external auditors to discuss the quality of management, financial, accounting, information technology and internal audit personnel, and to determine whether any restrictions have been placed by management on the scope of their external audit or if there are any other matters that should be discussed with the Committee;
- Review the letter of management representations provided to the external auditors as part of the annual audit and inquire as to whether any difficulties were encountered in obtaining the representation letter;
- Prepare a report, signed by the chair of the Committee, for presentation to the full Governing Board, describing the activities and responsibilities of the Committee.
- Direct special investigations into significant matters brought to its attention within the scope of its duties;
- Review this Charter on an annual basis and propose any recommended changes to the Board.

In the area of Organizational **governance**, the Committee shall:

- Review Organization policies regarding compliance with laws and regulations, ethics, employee conduct, conflicts of interest, and the investigation of misconduct or fraud;
- Review current and pending litigation or regulatory proceedings impacting Organizational governance in which the Organization is a party;
- Establish and monitor Organization procedures for receiving and handling complaints about accounting and auditing matters;
- Review significant cases of employee or director conflict of interest, misconduct or fraud;
- Review and approve the internal audit charter, which explains the framework for providing internal audit services to management and the Committee;
- Review and approve management's appointment and termination of the Organization's Director of Internal Audit;
- Review plans and budgets associated with the internal audit function to determine that audit objectives, plans, financial budgets, and schedules provide for adequate support of the Audit Committee's goals and objectives;
- Require the Director of Internal Audit to prepare a written report on an annual basis describing the scope and results of internal audit procedures;
- Discuss with the Director of Internal Audit and the external audit firm the reliability of the Organization's information technology system and any specific security measures in protecting the Organization against fraud and abuse;
- Meet regularly with the Organization's general counsel to discuss legal matters that may have a significant impact on the Organization.

The Committee shall meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described in this Charter.

FINANCE COMMITTEE

Purpose

The primary responsibility for the Organization's financial reporting and management rests with senior operating management, as overseen by the Organization's Governing Board (the "Board"). The purpose of the Finance Committee (the "Committee") is to assist the Board in fulfilling this responsibility by providing oversight of the financial management and financial reporting function.

Authority

The Finance Committee shall have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firms' fees and other retention terms. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

Membership

The Finance Committee shall be a standing committee of the Governing Board, comprised of not less than three members of the Board. Members of the Committee shall:

1. Have no relationship to the Organization that may interfere with the exercise of their independence from management and the Organization; and
2. Not be members of the Organization's Audit Committee, a separate committee of the Governing Board.

Appointments to the Finance Committee shall be for two-year terms and eligible for consecutive appointments of no more than one additional two-year term.

Responsibilities

The Finance Committee's role is one of oversight, recognizing that the Organization's management is responsible for financial management and for preparing the Organization's financial statements. The Committee shall have oversight responsibilities in certain areas of financial management and reporting as follows:

- Oversee the Organization's assets, including policies associated with safekeeping and protection of those assets;
- Review and evaluate the Organization's financial viability;
- Review the annual budget and recommend it to the full Board for approval;
- Review new initiatives involving requests for funding;
- Review the Organization's cash flow management;
- Review the financial impact of agenda items being considered by the full Board;
- Monitor budget implementation and accounting and financial policies and procedures;

- Review monthly and quarterly financial reports and monitor financial performance against budget;
- Prepare a report, signed by the chair of the Committee, for presentation to the full Governing Board, describing the activities and responsibilities of the Committee;
- Review overall organizational risk management and adequacy of insurance carried by the Organization (and report annually to the Audit Committee on the Organization's risk management function);
- Review all borrowing arrangements of the Organization;
- Review annual income tax and information returns filed with the Internal Revenue Service and State government agencies;
- Review this Charter on an annual basis and propose any recommended changes to the Board;
- Oversee the management of the Organization's investments, including review of investment policies, use of external investment managers, and other matters associated with investment management.

The Committee shall meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described in this Charter.