

ABS Institute

ACCOUNTING POLICIES AND PROCEDURES MANUAL

Adopted June 2019

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1.00 BACKGROUND INFORMATION

1.10 Tax Status & Purpose

The following manual is a description of the accounting system and responsibilities for the accountant of the Institute for Protein Innovation (hereafter ABS). ABS is organized and is to be operated exclusively as a charitable corporation for educational and scientific purposes in the State of California and as an educational, scientific and charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and the regulations promulgated thereunder (as the same may be amended from time to time, the "Code"), to promote and carry out the following purposes:

- To take a leading role in the rapid translation of basic research by developing the infrastructure for early stage biologic drug development and manufacturing. The Institute will perform both basic and early stage translational biomedical research, and will publish the results in publicly accessible peer reviewed publications, as well as presentations at national and international scientific meetings and conferences. The Institute will promote therapeutic and diagnostic translation through internal research, collaborations, or licensing activities of its research findings or intellectual property. The Institute will also train early stage researchers in biomedical research through post-doctoral fellow and internship programs. A part of the Institute's activities will be to promote education and provide resources through its website.; and
- To conduct such other activities and programs not inconsistent with the Mission and California Laws and or Section 501(c)(3) of the Internal Revenue Code as the Corporation may determine to be appropriate.

2.00 ACCOUNTING PRINCIPLES & PROCEDURES

2.10 Policies

The accounting principles of ABS will be consistent with all applicable laws and Generally Accepted Accounting Principles (GAAP) and the Federal Accounting Standards Board (FASB). Certain procedures are discussed below:

Accounting Policies and procedures, cont.

2.20 Procedures

2.21 Revenue Recognition

ABS recognizes revenue on the accrual basis of accounting. Therefore ABS records revenue when it was earned and when the expense were incurred.

Rents will be recognized in the period for which the rent is being paid.

Grant revenue is recognized as revenue when received and are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions under FASB ASU 2018-08. Revenue and support whose restrictions are met in the same reporting period are reflected as unrestricted revenue. Donated investments are record as contributions at their fair values at the date of donation.

2.22 Matching of Revenues and Expenses

To present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible.

Generally, all entries required to accurately reflect the revenues and expenses of each period will be made in that period.

2.23 Fixed Assets and Depreciation

The capitalization policy is that all moveable equipment and other fixed assets with an acquisition cost of \$5,000, and greater, will be capitalized and will have a barcode asset tagged affixed. Assets below this threshold will be expensed and assets considered as sensitive in nature, below the \$5,000 capitalization threshold will be tagged and tracked for stewardship purposes. Depreciation will be calculated utilizing straight-line method over the estimated useful life noted below.

All capitalized assets will be depreciated over their estimated useful lives per the latest regulations set by the American Hospital Association (AHA) regarding useful lives.

The straight-line basis will be used, with depreciation charged beginning in the month that the asset is placed in service.

All capital assets purchased with grant or other restricted funds will be cataloged, tagged and tracked as federally funded equipment.

Our Policies and Procedures address the proper acquisition, maintenance, risk of loss and disposition of all assets purchased in accordance with our Capitalization Policy.

2.24 Donated Materials and Services

Property and equipment are stated at cost if purchased, or if donated, at fair market value at the date of receipt.

In order to comply with the rules of ASU 2018-08, certain services would be recorded as revenues and expenses. Such services would be those professional services which we would otherwise have paid for which were provided by a person whose work would normally include providing those services.

Any donated assets which would meet the definition to be capitalized, outlined in Section 2.23, will be recorded as revenue and as a fixed asset. In accordance with GAAP, any assets acquired through donation will be reported at their Fair Market Value at the date of donation. If the asset donated is comprised of Real Property, the land portion of the donation will be reported separately and not depreciated.

3.00 CASH DISBURSEMENTS

3.10 Policies

The positions authorized to sign checks are; the Board's Treasurer, CFO and the Chief

Accounting Policies and procedures, cont.

Executive Officer. Only one signature will be required on checks. Anyone signing a check must review and initial the supporting invoice or other documentation. Individuals may not sign a check payable to themselves.

The Finance director will maintain the accounts payable system. Prior to payment, the Accountant will code each invoice, prepare the checks and organize the documentation.

The Finance director will determine payroll amounts based on timesheets and authorized rates.

The Accountant will prepare the payroll checks.

3.20 Procedures

3.21 Capital Acquisitions

Capital Acquisitions are based on the strategic objectives and budget for the year. Any capital assets over \$25,000 which were not budgeted for the fiscal year must be approved by the Treasurer, CEO or CFO prior to purchase.

3.22 Supplies, Services, and Other Invoices

Purchasing can be requested by any member of the organization in compliance with the ABS procurement policy. Employees will identify the item they need to order and select preferred vendor. The employee will then place the order in ABS's purchase management system) They will suggest their preferred vendor. Employees must attach any quotes or promo codes with their order.

The order will then move to pending approval status and a manager, with approval rights, approves the order.

The order is then ready for a PO, which will be written and assigned a number by the purchasing department. Purchasing, or the CEO, CFO or Treasurer, will then place the order, with the vendor, and attach a PO copy to the order. Purchasing then marks that the order has been placed.

Services orders are approved directly by managers and then sent to AP for payment after the service has been incurred.

Other expense i.e. postage, or freight will be approved by a direct supervisor.

Receiving: The order is delivered to ABS by the buildings receiving department. Internally the order is usually opened by the person that placed the order. Whomever opens the package checks the order against the receipt (to make sure it is correct and not damaged). The same receiver must then sign and date the packing slip and place it in a designated area for pick up. The receiver then goes into the system and marks the item or items received.

Mail is opened by the administrative staff. Invoices are routed to A/P to match the invoices to the receiving and PO for payment. A/P gives the invoices and support documentation to the Chief Executive Officer for approval to pay. The Chief Executive Officer initials the invoice indicating approval to pay and approving the expense account and class coding proposed by A/P. The Accountant enters the approved invoice into the A/P computer module and files all documents in the open invoice file until they are paid.

3.23 Invoice Payment Procedures

Invoices are paid weekly. Prior to generating checks, a pre-check report is generated which lists all outstanding payables with the due dates and amounts. A/P will indicate which invoices need to be paid. This pre-check report will be reviewed and approved by the CEO. Based on the approved pre-check report, the checks are printed from the A/P computer module, attached to the approved support documentation from the open invoice file, and given to the CEO for signature. The checks are sealed in envelopes and the support documents are returned to the Accountant to be filed alphabetically by vendor.

3.24 Payroll Procedures

Payroll is processed through a payroll software semi-monthly for the 15th and the last day of the month. Payroll is distributed through direct deposit to the employees set

Accounting Policies and procedures, cont.

account. The CEO forwards approved timesheets to the Accountant at the end of each period. Each timesheet must be signed by the employee and by the CEO. The Accountant totals up the timesheets and enters the totals into the grant time management system. The accountant then finalizes and release payroll through the service providers software for payroll processing.

4.00 Deposits

4.10 Policies

The Accountant will receive and open all payments received in the mail and will restrictively endorse all checks received. The bank deposit will be made daily, or when monies are received, by the accountant.

4.20 Procedures

All checks are restrictively endorsed, photocopied and entered onto a daily cash receipts log when the mail is opened. A copy of the deposit will be sent to the Chief Executive Officer for review.

The Financial Finance director will use the original of the cash receipts log for review and to assist in their duty of reviewing the bank statements.

The Accountant will use the copy of the cash receipts log and the check copies to determine account coding and to enter the cash receipts into the computer.

5.0 BANK RECONCILIATION

5.10 Policies

The bank statements are forwarded to the Financial Finance director unopened.

Upon opening the statements, the finance director reviews the checks for unusual items or changes. The CEO & Treasurer compares selected deposits on the bank statement to the copy of cash receipts logs and reviews any account transfers.

The bank statements are to be reconciled by the finance department monthly no more than one week after receipt of the statement. The general ledger and the reconciled bank statements will be adjusted to agree monthly.

5.20 Procedures

Upon receiving the bank statement from the Finance director, the Accountant prepares the monthly bank reconciliation. The bank reconciliations will reconcile the bank balance to the general ledger balance. A journal entry will need to be posted each month for items on the bank statements which are not already recorded in the general ledger. These reconciling items may include: interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.

After the general ledger is reconciled to the bank statement, the monthly bank statement and cancelled checks and other forms and the actual reconciliation form are filed in the bank reconciliation file.

6.00 END OF MONTH ACCOUNTING PROCEDURES

6.10 Policies

The Financial Finance director prepares the monthly financial statements. The CEO and Treasurer approve the monthly financial statements.

Quarterly the CEO and Treasurer review the financial statements before being sent to the Board of Directors. The Quarterly financial statements should be to the CEO and Treasurer at least two days prior to the mailing of Board packets to facilitate their

Accounting Policies and procedures, cont.

review.

The Board of Directors approves the financial statements on a quarterly basis.

6.20 Procedures

The cutoff for information in the monthly statements is two weeks after the month end. Upon completion of the monthly bank reconciliations, the Accountant will formulate the monthly journal entries. There are two types of monthly journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month. These include depreciation and expensing of prepaid insurance. The specific journal entries include recording of interest dividend income, bank transfers, NSF checks, bank charges, accrued wages and payroll taxes, receivables, etc.

The Accountant will maintain a file for each month which includes work papers which document the balance of each balance sheet account. The file will also include copies of the grant billings. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board.

Once the final general journal entries are posted, the monthly financial statement is printed along with a copy of the general ledger for that month as well as the general journal entries posted.

The adjusted financial statements are to be delivered to the Board of Directors within three weeks after the end of the month.

The Accountant prepares a budget to actual expense report for CEO & Treasurer review with the CEO and Treasurer. The report is finalized and presented to the Board of Directors each quarter.

7.00 END OF YEAR ACCOUNTING PROCEDURES

7.10 Policies

The Accountant prepares the year-end financial statements.

The Accountant is responsible for preparing for the annual financial audit and for working with the outside accountants to complete the audit.

The CEO & Treasurer approve the financial statements before being sent to the Board of Directors. The financial statements should be presented to CEO & Treasurer at least one week prior to the mailing of the Board packet in order to facilitate this review.

The Board of Directors approves the year-end financial statements.

The Accountant will arrange to move all records from the year which is closing to a secure location

7.20 Procedures

The cutoff for June financial statements is extended to four weeks after year end.

Upon completion of the June financial statements, the preliminary year-end report is run by the Accountant and given to the CEO & Treasurer for review.

The Accountant makes sure all year end recurring entries are complete.

7.21 Financial Audit

The Accountant will contact the independent accountants as soon as the CEO or Treasurer signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit. The Accountant will ensure that adequate space is provided for the independent accountants to work in our offices. This would include one or more large tables, space to keep our records provided to the independent accountants, light and electrical outlets.

The Accountant will work with the independent accountants to determine what confirmations will be required. This process will be completed as soon after year end as possible. The Accountant will oversee typing the confirmations. The CEO &

Accounting Policies and procedures, cont.

Treasurer will sign the confirmations. The Accountant will mail the confirmations to the independent auditors.

The Accountant will be responsible for preparing as many of the schedules which the auditors will use as possible. The completed monthly reconciliations for June will partially fulfill this requirement.

Some of the information which needs to be organized and made available includes: the complete general ledger for the year, a chart of accounts, all bank statements and cancelled checks, all paid invoices, all cash receipts logs, all payroll records, including timesheets, payroll summaries for each pay period, 941s, 1099s and W-2s (from the previous calendar year), Board minutes for the year under audit through the most recent minutes available, grant contract files, printouts of the donor database, including all restricted donations, lease agreements, insurance policies, documentation for fixed assets capitalized and documentation for donated services or donated assets recorded in the general ledger.

The Accountant will be available at all times throughout the audit to facilitate the work of the independent accountants. The CEO & Treasurer will schedule some time to meet with the independent accountants as needed during the audit. Office staff will also be available for any work which the Accountant may delegate to them.

The Accountant and CEO & Treasurer will plan a meeting with the independent accountants at the end of the audit to discuss any issues raised, review the audit journal entries, evaluate the audit process and plan improvements for the following year.

8.00 COST ALLOCATIONS

8.10 Policies

ABS is required to follow various guidelines for allocating costs which benefit more than one program or grant. A cost allocation plan will be adopted each year which satisfies the requirements of all grants for that year. ABS' costing policies will need to be modified any time a new program is started or at the end or beginning of any fiscal year grants. See ABS costing policy.

9.00 INVESTMENTS

9.10 Policies

Cash not needed for immediate working capital will be transferred to interest bearing investments, unless the funds are designated for a particular account.

The Board of Directors must approve any investments beyond the options listed below.

9.20 Procedures

The CEO & Treasurer will initiate the transfer of funds based on the projected cash flow requirements and budgets of ABS. The Accountant will prepare the projected cash flow requirements as requested by the CEO & Treasurer.

The operating reserve fund and any cash designated by the Board will be maintained in an investment account or certificate of deposit. The Board will specify the investment method for the operating reserve and for each designated fund, so that the timeline of the investment will match the timeline of the reserve or designation.

10.00 DEBT

10.10 Policies

Board approval is required for incurring any debt of ABS other than operating trade

Accounting Policies and procedures, cont.

payables and budgeted payroll payables. The CEO & Treasurer will be authorized to negotiate such debt as needed by the Board of Directors.

Any loan covenants and restrictions will be reported to the Board when the debt is authorized. The Accountant will periodically review these covenants and report to the CEO & Treasurer if there are any violations or potential violations of the covenants.

10.20 Procedures

The CEO and Board President or Treasurer will sign any debt agreements after receiving full Board approval. The Accountant will reconcile the general ledger debt balances to statements or amortization schedules each month. In addition, accrued interest will be recorded in the general ledger as needed.

11.00 RESERVES AND DESIGNATED FUNDS

11.10 Policies

ABS will build and maintain an operating reserve to assist in maintaining financial stability. The target for the operating reserve will be six months of general operating expenses. This will be a cash reserve held separately from the operating account of ABS. The reserve may be invested consistent with the investment policy of ABS. The Board of Directors may designate portions of the net assets of ABS for specific purposes.

11.20 Procedures

During the annual budget preparation, the Board will review the operating reserve and set a target for funds to be set aside that year. The CEO & Treasurer will establish and maintain the operating reserve bank account as directed by the Board.

Designation of net assets will be made by resolution of the Board. A purpose and timeline must be specified for each designated fund.

12.00 INTERNAL CONTROLS AND FINANCIAL AUDIT

12.10 Policies

The review of internal controls and the annual audit are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to ABS.

Internal controls pertaining to the accounting records are established by the CEO & Treasurer in consultation with the Accountant.

The Board of Directors approves the public accounting firm which will perform the yearend financial audit. The financial audit report is presented to the Finance Committee and Treasurer who has the authority to approve the audit.

12.20 Procedures

Whenever there is a change in administrative personnel or a change in the operating structure of the organization, the Treasurer and CEO will meet to determine that the internal control system continues to meet the needs of ABS. If appropriate, the changes will be reflected in this accounting procedures manual.

The key features of the internal control system are that the Accountant, who maintains the accounting software, reports all handling checks and cash received to the CEO.

The CEO signs checks, transfers money or establishes cash accounts or investments.

The other aspect of this is that the Accountant reviews the transactions of the other employees and is responsible for noting any problems to the CEO & Treasurer or directly to the Treasurer or President.

The Board of Directors will approve, as part of the budget process, the public accounting firm to perform the annual audit.

Accounting Policies and procedures, cont.

The Treasurer will attend the audit exit conference at the conclusion of the audit. The public accounting firm will present the audit to the Board each year. The Accountant and CEO & Treasurer will be responsible for scheduling the audit, preparing the information needed by the auditors and answering questions during the audit.

13.00 COMPLIANCE

13.10 Policies

To continue receiving government grants and restricted donations, ABS must have systems in place to ensure compliance with the restrictions imposed by those grants and restricted donations.

The Accountant is designated as ABS's compliance officer and will be responsible for overseeing the compliance with all applicable grant restrictions.

The CEO & Treasurer will be responsible for communicating the nature of all donor restrictions to the Accountant. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

13.20 Procedures

13.21 Restricted Donations

The CEO & Treasurer will maintain a record of all restricted donations in the donor database so that periodic reports of the year's cumulative restricted donations can be produced. When a restriction has been satisfied, that will be noted in the database. If appropriate, the CEO & Treasurer will be responsible for communicating the satisfaction of the restriction to the donor.

The CEO & Treasurer will forward copies of each month's new and outstanding restricted donations to the Accountant. The Accountant will create a journal entry each month to ensure that the restricted donations are correctly presented in the financial statements.

14.00 BUDGETING

14.10 Policies

The Board of Directors is responsible for guiding the budget process and for approval of the annual budget.

The CEO & Treasurer and Accountant will be responsible for preparing the proposed budget.

14.20 Procedures

The budgeting process will begin in April for the following fiscal year. This will allow for nine months of results to be used in planning the budget.

All budget documents will be submitted to the Accountant by October 31 for consolidation into an overall budget. The CEO & Treasurer and Accountant will then review this to determine if there are any obvious areas which may need to be reworked. The collated budget will be submitted to the Finance Committee by November 15 for review and feedback. Any further revisions will be made and the budget presented to the Board by November 20th.

The responsibility for each area of the budget is as follows:

CEO & Treasurer -- Program revenues and expenses, fundraising revenues and expenses, donations revenue, operations expenses, and capital budget.

Accountant -- Accounting expenses, investment income, and projected balance sheet.

Treasurer -- Board and committee expenses.

After completion and approval of the budget by the Board of Directors, the budget will

Accounting Policies and procedures, cont.

not be modified for subsequent activities.

15.00 COMPUTER AUTHORIZATION AND BACKUP

15.10 Policies

The accounting computer and software will have access controlled by passwords. The Accountant will control the master password. The Accountant will control which other personnel will be given passwords.

The accounting computer will be backed up regularly. The Accountant is responsible for carrying out this backup.

The Accountant is responsible for maintaining the disaster recovery plan for the accounting software and for periodically testing the plan.

15.20 Procedures

15.21 Passwords

The Accountant will maintain a record of all authorized users and the level of password access each user has. Passwords will be changed once each year in December.

15.22 Backup

The back-up procedures are designed to maintain records of various periods until that period is closed.

An annual tape or digital backup will be maintained of the accounting data prior to the close. This drive will be maintained until the subsequent year accounting data is backed up and closed.

A monthly backup will be maintained of the accounting data for each month until that month is again backed up the subsequent year.

A copy of the annual and monthly tapes will be taken home by the Accountant for storage.

15.23 Disaster Recovery

In the event of the serious damage to the offices of ABS, arrangements have been made to process certain accounting records at the home office of the Accountant. Since the disasters we are anticipating would be localized in nature, such as fire or tornado damage, we have not set up recovery plans with other agencies in another part of the State.

16.00 ACCESS TO RECORDS AND RECORD RETENTION

16.10 Policies

The records of ABS are generally open to public inspection due to IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the CEO & Treasurer.

Questions in this area are to be resolved by the CEO & Treasurer. If the answer to a request is unclear the CEO & Treasurer may contact ABS's attorney for a consultation.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

16.20 Procedures

16.21 IRS Forms

Payroll tax forms are not public information and will not be released.

IRS Forms 990 and 990A, the exempt organization information returns, must be made available to anyone upon request. The specific rules are outlined in the instructions for

Accounting Policies and procedures, cont.

form 990. All pages, schedules and attachments, except the detailed schedule of contributors must be made available. The prior three years of 990s and 990As must be available upon request for free review in our office. If the requestor wishes to have a copy, that will be provided immediately or may be mailed to the person. We ask that the person pay the legally allowed fee of \$1 for the first page and 15 cents for each additional page, plus actual postage, if applicable.

The application for exempt status, Form 1023, and the IRS determination letter are also available to anyone upon request for a free review in our office. Copying charges are the same as for the 990 if the person wishes to take a copy. The specific rules are outlined in the instructions for the form 990.

The Accountant is responsible for furnishing copies of these documents to the receptionist in a form suitable for public release. The receptionist will keep a copy of each form and make photocopies if requested.

16.22 California Annual Charitable Organization Report

The California Form RRF 1 will be made available with the forms 990 and 990A.

16.23 Personnel Records

All requests for personnel records, job references and credit inquiries will be referred to the CEO & Treasurer.

16.24 Financial Information

Financial statements and other financial information is regularly distributed to ABS employees and the Board. This information is not to be made available to persons who are not regularly authorized to receive that particular report. Any such requests for information must be approved by the CEO.

16.25 Records Retention

A schedule of record retention follows. Any discarding of records should follow this schedule. However, prior to discarding of records, the permission of the CEO & Treasurer and the Accountant are required to ensure that they have no reason that an exception should be made to the policy. All discarded documents are to be shredded or sent to our recycling company, which has a confidentiality agreement with us.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires three years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations. The following are some of the factors that should be considered:

Federal, state, and local statutes and regulations

Industry requirements or standards

Potential claims or litigation

Contract requirements

RECORD RETENTION SCHEDULE

Type of Retention Period Record (Years)

Accident reports & claims 7*

Appraisals P

Articles of incorporation, by laws P

Assets records 7*

Bank statements, reconciliations 4

Bills of sale-assets 7*

Accounting Policies and procedures, cont.

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| Budgets & projections | 2 |
| Cancelled checks – general | 4** |
| Capital stock & bond records | P |
| Charts of accounts | P |
| Check vouchers, stubs | 4 |
| Contracts & agreements | 7* |
| Correspondence | |
| Credit and collection | 7 |
| Routine with customers or vendors | 1 |
| Other | 4*** |
| Credit memos | 4 |
| Damage and theft reports | 7 |
| Deeds | P |
| Deposit slips | 4 |
| Depreciation schedules | 7* |
| Employee records | |
| Contracts | 7* |
| Disability, unemployment claims ... | 7 |
| Employment applications | 4 |
| Expense reports | 4 |
| Personnel files | 7* |
| Time reports, earnings records | 4 |
| Withholding & exemption certificates (W-2, W-4, etc.) | 4* |
| Financial reports | |
| Annual, audited | P |
| Interim..... | 4 |
| Freight bills, bills of lading | 4 |
| Insurance policies & records | 4 |
| Internal reports, memos, work orders, etc. | 2 |
| Inventory records | 4 |
| Invoices | |
| Fixed assets | 7 |
| Sales & general expenses | 4 |
| Leases | 7* |
| Ledgers & journals | |
| Cash receipts & disbursements ... | P |
| General ledger, journal entries ... | P |
| Payroll journal | 4 |
| Purchases & sales | 7 |
| Subsidiary ledgers (receivables, 15 payables, etc.) | 7 |
| Licenses | 4* |
| Minute books | P |
| Mortgages | 7* |
| Notes | 7* |
| Pension & profit-sharing records ... | P |
| Petty cash records | 4 |
| Purchase orders, invoices | 4 |

Accounting Policies and procedures, cont.

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| Receiving reports | 4 |
| Repair & maintenance records | 4 |
| Sales records & cash register tapes | 4 |
| Shipping reports | 4 |
| Tax returns and related records | |
| Income | P |
| Payroll | 4 |
| Sales and use | 4 |
| Union contracts | P |

P means records should be kept permanently

* Retention period begins with settlement of claims, disposal of asset, termination of contract, etc.

** Some should be kept longer, e.g. checks for tax payments should be kept with the tax returns, checks for asset acquisitions should be kept with bill of sale, etc.

*** Legal and important correspondence should be kept as long as the documents to which they relate.

17.00 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

17.10 Policies

The accounting policies and procedures manual is critical to the accounting function of ABS. The Accountant is responsible for maintaining the manual.

All proposed changes must be approved by the Accountant and by the CEO & Treasurer. The policies and procedure manual will be dated with the date of each approved revision.

17.20 Procedures

Each year the Accountant will review the manual and formulate proposed changes. This update will be completed no later than March of each year. All changes must be approved in writing by the CEO & Treasurer. If the Accountant has no proposed changes, a memo to that effect must be approved by the CEO & Treasurer.

Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Accountant to determine if a revision is required. Any minor revisions to the manual which are not reflected in the manual immediately should be kept on file to incorporate into the formal annual update. The revised manual will be distributed to the Accountant, CEO & Treasurer and Board Treasurer.

18.00 PREPARATION OF INFORMATIONAL RETURNS

18.10 Policies

ABS is required to file IRS forms 990, Return of Organization Exempt from Income Tax and 990 Schedule A, Organization Exempt Under Section 501(c)(3), and California Form RRF-1.

The preparation of these reports will generally be contracted out to the independent accountants. The Accountant will be responsible for providing the information needed to prepare the report. The Accountant and CEO & Treasurer will review the reports prior to filing them to ensure that they are accurate and do not indicate any potential problems with the tax status or fundraising license of ABS.

Accounting Policies and procedures, cont.

18.20 Procedures

The IRS forms are due four and one-half months after year end. If the forms are not ready, an extension may be requested for an additional 6 months. The California Form FFR-1 has the same deadlines as the federal forms. If donations from the general public, including federated fundraising and foundation grants, exceed \$500,000, the annual audit will need to be included with the Massachusetts form. These forms will be prepared primarily from the final audited financial statements. Additional information which is required includes a current list of the Board of Directors, the salary and benefits amounts of the CEO & Treasurer, a list of all donations of \$5,000 or more from individuals, corporations and foundations, and a report on the nature and dollar value of any lobbying during the year. The Accountant will be responsible for gathering this information and providing it to the independent accountants. The Accountant and CEO & Treasurer will review the activity of the prior year to determine if there was any unrelated business income. Such income would include newsletter advertising, sales of the mailing list, sales of items not related to our exempt purposes and debt-financed rental income not received as part of performing our exempt purposes. The unrelated business income tax form is 990T for the IRS and California Form 109 for. Gross unrelated business income in excess of \$1,000 requires that a return be prepared, even though the activity is not netting any money. Generally, the 990T and CA Form 109 will be prepared by the independent accountants. The due date for these returns is four and one-half months after year end, with an automatic extension of 6 months.

19.00 PROPERTY AND EQUIPMENT INVENTORY

19.10 Policies

An inventory of all property and equipment will be maintained. The inventory document will contain sufficient information for insurance and grant requirements.

19.20 Procedures

The Accountant will maintain a database of all property and equipment owned by ABS. The database will include: tag number, description, serial number, acquisition date, cost, vendor, location and any grant or other restrictions. All equipment will have a tag affixed with a unique identifying number. The property and equipment database will be consulted prior to sale of any item to determine if there are restrictions. Grant purchased equipment may generally not be sold without the grantor's permission. An annual inventory will be taken to verify the existence of the property and equipment listed in the database. Equipment will be included in the database using the definitions for previously noted.

20.00 GRANTS AND CONTRACTS

20.10 Policies

Grant and contract billings will be prepared and filed timely. Adequate documentation will be maintained to support all billings. Complete grant and contract files will be maintained.

20.20 Procedures

Grant and contract billings will be prepared monthly or as needed. Billing will be done according to funding source requirements based on reimbursements of expenses, units of service or equal installment as required. Documentation of billings will be prepared and maintained. For billings based on reimbursement of expenses, a copy of the program expenses from the software and any reconciliations to the billing will be maintained. For billings based on units of service, a copy of the detailed units of service will be maintained. The Accountant, Program Manager and CEO & Treasurer will each approve billings prior to issuance. Billings will be recorded as accounts receivable in the appropriate accounting period. Grant and contract files will contain at least the following documents: signed copy of contract, application and budget, correspondence, periodic billings and the documentation supporting the

Accounting Policies and procedures, cont.

billings.