

ACCOUNTING POLICIES AND PROCEDURES

XYZ HEALTH CENTER

1. Overview

The XYZ Health Center

The XYZ Health Center (XYZ, the Center) is a not-for-profit, Corporation organized exclusively for charitable purposes.

The XYZ is classified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. As a 501(c)(3) organization, XYZ is exempt from the payment of federal income taxes on its exempt activities.

The XYZ obtains most employee services from The ABC Company (ABC) and reimburses ABC for all authorized expenses incurred on behalf of the Center. Employees are bound by ABC policies in addition to those specifically prepared by the Center. The Center also has a supporting organization, the Foundation.

Accounting Summary

- Fiscal year is July 1 through June 30;
- The accounting system shall operate in accordance with OMB Uniform Guidance;
- XYZ follows Generally Accepted Accounting Principles (GAAP). XYZ uses the accrual basis of accounting that recognizes revenues when they have been earned and expenses when they have been incurred;
- The financial statements prepared each year are the following:
 1. Statement of Financial Position,
 2. Statement of Activities,
 3. Statement of Functional Expenses,
 4. Statement of Cash Flows,
 5. Notes to financial statements (for audited statements);
- Accounting software: QuickBooks for Non-Profit Organizations (Enterprise). This software, the chart of accounts, and class functionality provide a system for accumulating and recording receipts and expenditures by each grant, whether federal or non-federal, separately and by natural expense. The chart of accounts and class list include each federal grant program and allow the accounting system to show to which federal grant, if any, each receipt and expense is allocated.
- Each fiscal year is closed in the accounting system and is password protected within 30 days of the end of the fiscal year.
- Multiple years of financial data are housed in XYZ's accounting software. Reports can be generated by grant and natural expense for any year with corresponding data in the accounting system. Currently more than 15 years of financial data are reportable in QuickBooks.
- Source documentation of all receipts and expenditures, bank statements, and financial statements are scanned and electronic documentation is kept at XYZ indefinitely (more

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2C

2C

than 10 years).

- Electronic records of all invoices, receipts, disbursements, grant awards, authorizations, financial reports with obligated and unobligated balances, income and expenses, assets, and interest are housed at XYZ, including source documentation.

XYZ operates in accordance with OMB Uniform Guidance in administering all federal funding, whether provided by the Health Resources and Services Administration or other federal agencies, or provided as federal funds.

Internal Controls *(Throughout this document, the asterisk is used to denote a policy or procedure that strengthens internal controls at XYZ.)*

Management of XYZ has the primary responsibility for setting the control environment, performing risk assessments, establishing control activities, adequately accumulating and communicating relevant financial information, and monitoring the quality of controls over time. The Board Treasurer and Finance Committee oversee this effort. Fraudulent behavior is not tolerated and is grounds for disciplinary action (see XYZ Policies and Procedures). The Accounting Policies and Procedures Manual is reviewed and approved* as official policy of the Center by the Board of Directors. All XYZ staff are bound by the policies herein, and any deviation from established policy is prohibited.

Access to Records by the Public and Contributors

It is the policy of XYZ to allow the public to inspect the following records of XYZ:

- IRS Form 990;
- IRS 501(c)(3) designation letter;
- Conflict of interest policy;
- Business license.

Documents are provided upon request. Access to the IRS 990 is available through a web posting at www.guidestar.org. * XYZ reviews and updates this listing at least annually. A hard copy of the Form 990 will remain in XYZ's office without exception.

2. Reporting

Finance Committee

The XYZ Finance Committee provides general guidance for financial policies, internal controls, investment, budgeting and financial compliance issues. The committee is comprised of a subset of board members including the Board Treasurer, who serves as chair. With guidance from the Finance Committee, the entire Board approves financial policies and budgets. The Finance Committee receives copies of monthly reports* on the investment account and quarterly reports developed by the Investment Counsel.

The Treasurer reviews* the detail of the accounting database year-to-date twice annually...

It is the policy of XYZ to comply with the HHS financial reporting requirements for its cooperative agreement or contract related activities with HHS/HRSA by filing the following grant reports:

- Federal Financial Report Federal Cash Transaction Report on a quarterly basis within 30 days of the quarter's end or per the terms and conditions of the award.
- Financial Status Reports per the terms and conditions of the award;
- Single Audit reports within 30 days of receiving the final report from the auditor or within 9 months after fiscal year end, whichever is earlier (applicable when Single Audit is performed).

All grant reports must be prepared from, and agree with, the internal financial statements and general ledger.

CPA Firms

Selection

The XYZ Board of Directors selects the audit firm to conduct the annual audit. It is the policy of XYZ to contract with the selected auditing firm for a period not to exceed one year. At any time, the XYZ Board of Directors may request that the Executive Director solicit proposals from and interview other CPA firms specializing in auditing nonprofit organizations (and experienced in audits conducted in accordance with government auditing standards) and, with the assistance of the Board Treasurer, the XYZ Board Finance Committee makes a recommendation to the Board of Directors for final selection. If proposals are solicited, re-awarding the contract for auditing services to the existing auditing firm is acceptable as long as the interview and selection criteria clearly indicate the firm is the most qualified and cost effective.

Annual Audits

It is the policy of XYZ to conduct an annual financial audit. A schedule of federal awards is prepared before requesting the audit engagement letter to determine if federal expenditures exceed the Single Audit threshold. When annual federal expenditures exceed the threshold (\$750,000), XYZ notifies the accounting firm that a Single Audit is also required. When the threshold is not exceeded, the XYZ auditor notifies the accounting firm that a Single Audit is not required. The XYZ auditor then confirms that the single audit threshold was not exceeded.

The Engagement Letter

It is the policy of XYZ to review the draft of the CPA engagement letter before it is signed to ensure that it covers matters important to management. The engagement letter will be reviewed and signed by the Executive Director on behalf of the Board of Directors.

The Management Letter

At the conclusion of the audit, the Board Treasurer and the Executive Director will discuss the CPA management letter with representatives of the auditing firm, and with input from the