

APPENDICES



178 Tremont Street, 10th Floor, Boston, MA 02111 | Phone 617-357-6915 FAX 617-350-7899

SECTION 1

Making Board Meetings Matter

Appendix A
Sample Meeting Minutes

SAMPLE MEETING MINUTES

The following examples of board meeting minutes are based on those of an actual Community Action Agency. The specific location, state, all names, and some details have been changed. CAPLAW annotations highlight points made in *Why Board Meetings Matter and How to Get the Most Out of Them*.

Overall, these minutes evidence a board that is involved in the development, planning, implementation, and evaluation of the CAA’s program, and that engages in regular discussion of financial issues. Anyone reviewing these meeting minutes will recognize that this particular CAA takes its mission and governance seriously.

These minutes reflect the traditional view that the minutes should only record topics of discussion with related motions and actions, rather than recording the “thread of debate.” Minutes that include a brief summary of points raised in the discussion would provide further support to the board’s engagement in these issues.

CAPLAW COMMENTS

<p style="text-align: center;">BLUE COMMUNITY ACTION BOARD OF DIRECTORS MEETING MINUTES ~ APRIL 15, 2009</p>	
<p>The meeting was called to order by the Chair, Ms. Nilsson, at approximately 7:43 p.m. The meeting was held at Blue Community Action’s Central City Center, 555 Commongood Street, Big City, Red/BlueState in the Conference/Training Room. The roll was called and it was determined that a quorum was present.</p>	<p>🕒 <i>Date</i></p> <p>🕒 <i>Location, presiding officer, and roll call/quorum determination.</i></p>
<p><u>INTRODUCTION OF NEW BOARD MEMBERS</u> The Chairman, Ms. Nilsson, introduced new Private Sector Board Members: Mr. Mark Rodman, representing Ivy League University and Mr. Lou Espinosa, representing the Big City Bar Association.</p>	<p>🕒 <i>Records new appointments and notes classification within the tripartite structure.</i></p>
<p><u>ADOPTION OF THE AGENDA</u> Motion by Ms. Livingston that the proposed agenda for the April 15, 2009 Board of Directors meeting be adopted with the deferment to the June board of agenda item #4.a.(11) – Migrant Head Start Selection and Enrollment Criteria-Year 2009-2010 (Blue Sheet). Second by Mr. McDuff. Motion carried.</p>	<p>🕒 <i>Notation of change from proposed agenda included in board packet.</i></p>
<p><u>APPROVAL OF MINUTES OF MARCH 19, 2009</u> The Secretary, Mr. Clayton, made a motion that the minutes of the March 19, 2009 Board of Directors meeting be approved as submitted. Second by Mr. Simpson. Motion carried.</p>	<p>🕒 <i>Prior meeting minutes approved without amendment.</i></p>

ANNOUNCEMENTS

★★A Poverty Forum session will be held on Wednesday, April 29th at the Clyde Center from 5:30 – 7:30 p.m. ★★A meeting of the Turning Leaf Place, Inc. and Mustard Seed Energy Fund, Inc. Boards will be held following the regular Board of Directors meeting.

COMMITTEE REPORTS

• Planning and Evaluation Committee

In the absence of the Committee Chairman, Mr. Hartford, the Program Development Manager, Mr. Sam Jones reviewed the committee reports. Mr. Jones reviewed the following reports that required Board action: ♦♦♦2009-2010 Annual Plan. Motion by Mr. McDuff that the Board adopt the 2009-2010 Annual Plan. Second by Ms. Livingston. (Brief discussion ensued.) Motion carried. ♦♦♦2009 Head Start Community Assessment. Motion by Ms. Livingston that the Board approve the 2009 Head Start Community Assessment. Second by Mr. McDuff. Motion carried. ♦♦♦2009 Migrant Head Start Community Assessment Update. Motion by Mr. McDuff that the Board approve the 2009 Migrant Head Start Community Assessment Update. Second by Ms. Livingston. (Brief discussion ensued.) Motion carried. ♦♦♦Head Start/Early Head Start 2009-2010 Grant Application. Motion by Dr. Litwin that the Board approve the Head Start/Early Head Start Grant Application for Program Year 2009-2010. Second by Ms. Livingston. Motion carried. ♦♦♦Head Start/Early Head Start 2009-2010 Training and Technical Assistance Plan. Motion by Ms. Livingston that the Board approve the 2009-2010 Head Start/Early Head Start Training and Technical Assistant Plan. Second by Dr. Varney. Motion carried. ♦♦♦Head Start/Early Head Start 2009-2010 Self-Assessment. Motion by Ms. Livingston that the Board approve the 2009-2010 Head Start/Early Head Start Self-Assessment. Second by Mr. McDuff. Motion carried.

Mr. Jones reviewed the Community Services Block Grant (CSBG) and Weatherization Site Visit Monitoring Report; the J.J. Browne Child Development Center Licensing and Regulations Plan of Correction Letter; the East BigCity Child Development Center Licensing and Regulations Plan of Correction Letter; the West End BigCity Child Development Center Licensing and Regulations Report and Response; the 2009-2010 Results Oriented Management and Accountability (ROMA) Outcomes Report; the 2009-2010 Annual Monitoring Report for the Marsha County God's Pantry Food Bank; and, the Monitoring Report and Response for the Child and Adult Care Food Program.

• Audit Committee

Committee Member, Ms. Nilsson, reviewed the Audit Committee Report and the recommendation that the Board ratify the committee's decision to award Big Accounting Firm CAPs and Consultants the June 30, 2009 – One Year Fixed Price contract in the amount of \$42,500.00 with options for two (2) additional one-year periods. All documentation will be retained on file in the Fiscal Office supporting issuance of an official purchase order. Motion by Ms. Livingston that the Board approve the recommendation. Second by Mr. Rodman. (Lengthy discussion ensued.) Motion carried.

☞ *BCA minutes detail the committee reports.*

☞ *In compliance with the Community Services Block Grant Act (42 USC 9910), BCA's board is engaged in planning, implementation, and development of programs; the minutes reflect the BCA board's attention to these matters.*

☞ *The notation of "brief discussion" of BCA's "2009-2010 Annual Plan" and the "2009 Migrant Head Start Community Assessment Update" suggest board members raised issues or had questions. A one or two sentence summary of the discussion would provide further evidence of the board's active engagement in planning and evaluation.*

☞ *The board and board minutes evidence attention to BCA's procurement policy and compliance requirements under OMB Circular A-110. However, BCA minutes might be strengthened with a summary of the key issues raised in the "lengthy*

FINANCIAL REPORTS

The Treasurer, Mr. Cruz, reviewed the Consolidated Balance Sheet and the Financial Statement for the period ending March 31, 2009 and made a motion on behalf of the Finance Committee that both reports be accepted for filing with one (1) vote. Second by Mr. Clayton. Motion carried. Mr. Cruz reviewed the following reports for the period ending March 31, 2009: Accounts Receivable; Line-of-Credit; Health Plan Financial Statement; and, the Unemployment Insurance Report for the quarter ending March 31, 2009

BUDGET AMENDMENTS

The Treasurer, Mr. Cruz, reviewed the Family Self-Sufficiency Coordinator Program 2009 Budget Amendment #1 and made a motion on behalf of the Finance Committee that the amendment be approved. Second by Mr. McDuff. Motion carried. Mr. Cruz reviewed the Management and Support Services 2009-10 Budget Amendment #2 and made a motion on behalf of the Finance Committee that the amendment be approved. Second by Ms. Livingston. Motion carried. Mr. Cruz reviewed the Sojourner CARE 2009-2010 Budget Amendment #1 and made a motion on behalf of the Finance Committee that the amendment be approved. Second by Ms. Fraser. Motion carried.

NEW BUDGETS

The Treasurer, Mr. Cruz, reviewed the ❶ **Information Technology (ITS) 2009-2010 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Livingston. Motion carried. Mr. Cruz reviewed the ❷ **Communications 2009-2010 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Livingston. Motion carried. Mr. Cruz reviewed the ❸ **Human Resources 2009-2010 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Livingston. Motion carried. Mr. Cruz reviewed the ❹ **YouthTech Program Planning 2009-2010 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Livingston. (Brief discussion ensued.) Motion carried. Mr. Cruz reviewed the ❺ **Magpie County Pre-Kindergarten (Pre-K) 2009-2010 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Vernon. (Brief discussion ensued.) Motion carried.

EQUAL OPPORTUNITY QUARTERLY REPORT – (PERIOD ENDING 03/31/09)

Ms. Crouch, Manager, Administrative Services, reviewed the Equal Opportunity Quarterly Report for the period ending March 31, 2009.

OPERATIONS REPORTS – MARCH 2009

Ms. Watson, Executive Director, reviewed the Operations Reports for March 2009.

♦♦♦ **Customer Survey Quarterly Update (Cumulative from April 2007-March 2009):**

discussion “ and reference to board packet Item 6 Audit Committee -- Designation Of Auditor, which can be found following these minutes.

☉ *A CAA board must engage in regular review of the CAA’s financial statements and CAA-wide and/or program budgets. BCA’s board fulfills this responsibility but the minutes would be strengthened by recording whether or not the board engaged in discussion of the information reviewed.*

☉ *BCA is moving toward paperless board packets; the minutes evidence a well-*

Ms. Watson reviewed. ♦♦♦**Board Communications:** Ms. Watson reviewed the report submitted by the Ad hoc Committee. The Committee recommended that the Board approve the following resolution:

- All official communications with the Board of Directors shall be available in both paper and electronic versions.
- Members and Representatives of the Board of Directors shall have the option to receive official communications in either paper or electronic version.
- Members of the Board of Directors who do not select an option for the format and delivery of official communications shall receive a paper version via the United States Postal Service or another comparable delivery service.
- The effective date of full implementation of the above decisions shall be June 16, 2009.

Motion by Mr. McDuff that the Board approve the resolution. Second by Dr. Litwin. (Lengthy discussion ensued.) Motion carried. (Board members will be sent a revised "Board Member Information Sheet" requesting email addresses and asking how they wish to receive the board packet. A deadline for the return of the responses will be set, if no response is received, from a board member, it will be presumed the board member wishes to receive paper copies of the board packet.)

Re: Board Meeting Days and Times ~ An ad hoc committee was appointed to discuss meeting days, times and other questions in the survey. Members will be Tiana Litwin, Leslie Chou, Caesar Cruz, Cindy Quense and Anita Nilsson.

NEXT MEETING

The next meeting of the BCA Board of Directors will be May 14, 2009 at 7:30PM

ADJOURNMENT

Motion by Ms. Livingston that the meeting be adjourned. Motion second and carried. The meeting was adjourned at approximately 9:28 p.m.

Cindy Quense
Devon McDuff
Anita Nilsson*
Hank Simpson*
Delaney Clayton*
Rita Newman
Lillian Vernon*
Gloria LeGrande

MEMBERS PRESENT

Leslie Chou*
Ann Varney
Caesar Cruz*
Mary Bissel
Mary Little
Melody Livingston
Lou Espinosa
Sandra Fraser

Marsha Harris*
Mark Rodman
Susan Gallagher
Warren Yatzke
Albert Mason
Tiana Litwin*
Alex Donovan
Harold Wiley

EXCUSED ABSENCE

Mag Davis

Larry Hartford*

Maureen Whipple

considered process and timeline and allow board members to opt out.

☉ *BCA minutes record follow up actions that emerged from lengthy discussion.*

☉ *Since a change in meeting schedule may negatively or positively affect board attendance and engagement, BCA will carefully study the matter.*

☉ *BCA is paying close attention to board attendance, including distinguishing between board members who notify BCA in advance and those who simply do not show up.*

Loretta Chapman*

Celia Williams

Kathy Johnson

Noel Burke
Aki Taan
Mickey Shay

ABSENCES
Max Weingard
Ginny McNeal

Pete Janko


Respectfully submitted,

Delany Clayton, Secretary

Date Signed

cc: Members, Board of Directors
Cabinet for Health and Family Services

*DENOTES EXECUTIVE COMMITTEE MEMBERS AS REQUIRED AT THE AUGUST 26,
2002 BOARD MEETING

 *BCA is monitoring
Executive Committee member
attendance more closely.*

ISSUE: AUDIT COMMITTEE REPORT -- DESIGNATION OF AUDITOR

DISCUSSION: A Request for Proposal for Audit Services (RFP) for the Period Ending June 30, 2009, with the option for two additional one-year periods, was prepared by Fiscal Operations and approved by the Audit Committee. The proposals were evaluated based on the following criteria.

A. Prior Experience	45 Points
B. Organization, Size, Structure	25 Points
C. Staff Qualifications	10 Points
D. Price	20 Points
Total Points Possible	100 Points

Audit RFPs were mailed to a list of auditors on February 26, 2009 who perform audits of other Community Action Agencies in the Red/Blue State and other firms that requested an RFP. Twenty-six (26) Audit RFPs were mailed to audit firms. The Audit RFP was advertised in the Big City News on Wednesday March 3rd, 2009. The deadline for all Audit RFPs to be submitted to Blue Community Action, Inc. was Tuesday, March 23, 2009, by 5:00 p.m.

The Audit Committee met on Wednesday, March 24, 2009 at 11:00 a.m. to open the sealed bids, assess points and select an audit firm. Those present were Kathy Johnson and Anita Nilsson. Absent were Max Weingard and Leslie Chou. Blue Community Action staff that attended were Howard Castle, Chief Financial Officer, and Sam Melvin, Staff Accountant.

Six (6) firms submitted a response to the Audit RFP. The following is a schedule of the firms, price and points awarded.

	Blue	Turning Leaf	Mustard Seed	5500s 990s	Total Price	Total Points
Moss & Stone	\$24,570	\$ 9,660	\$4,581	Included	\$38,811	73
Big Accounting Firm	\$27,500	\$ 5,000	\$4,500	\$ 5,500	\$42,500	95
Capra & Company	\$38,000	\$ 5,750	\$3,000	\$11,300	\$58,050	75
Hound & Co	\$47,660	\$12,018	\$6,815	Included	\$66,493	80
Steinway & Associates*	\$25,340	\$ 5,240	\$2,190	\$ 4,740	\$37,510	95
Golf, Base, & Bow **	\$31,500	\$ 4,800	\$3,500	\$ 5,300	\$45,100	59

* Steinway & Associates included \$2,000 per year increase for years 2 & 3

** Golf, Base, & Bow included \$1,600 increase for year 2 and another \$1,100 for year 3

Big Accounting Firm and Steinway & Associates both received 95 initial points. The audit committee looked more in depth at each firms qualifications and determined that Big Accounting Firm has experience auditing over 45 Community Action Agencies and Baldwin and Associates only had audit experience with 1 Community Action Agency.

Big Accounting Firm has been our auditor for the past 3 years and the agency has been very pleased with the working relationship and the results. The process led the Audit Committee to select Big Accounting Firm as our auditor for the fiscal year ending June 30, 2009 with the option of 2 additional years.

RECOMMENDATION: The Audit Committee recommends that the board ratify the committee's decision to award Big Accounting Firm the June 30, 2010 - One Year Fixed Price contract in the amount of \$42.500, with options for two additional one-year periods. All documentation will be retained on file in the Fiscal Office supporting issuance of an official purchase order

Drafted by:
Howard Castle
Chief Financial Officer

Approved by:
Leslie Chou
Chair, Audit Committee

Approved by:
Gloria Watson
Executive Director

Approved By:
Board of Directors on _____

**Blue Community Action BOARD OF DIRECTORS
MEETING MINUTES ~ NOVEMBER 16, 2010**

The meeting was called to order by the Chair, Ms. Nilsson, at approximately 6:30 p.m. The meeting was held at Blue Community Action's Central City Center, 555 Commongood Street, Big City, Red/BlueState in the Conference/Training Room. The roll was called and it was determined that a quorum was present.

ANNOUNCEMENTS

Meetings of the Turning Leaf Place and Mustard Seed Boards will be held following the "regular" Board of Directors meeting.

ADOPTION OF THE AGENDA

Motion by Mr. Clayton that the agenda for the November 16, 2010 Board of Directors meeting be adopted as presented. Second by Ms. Livingston. Motion carried.

APPROVAL OF MINUTES OF OCTOBER 19, 2010

The Secretary, Mr. Clayton, reviewed the minutes of the October 19, 2010 Board of Directors meeting and made a motion that the minutes be approved as submitted. Second by Ms. Livingston. Motion carried.

NEW COMMITTEE APPOINTMENTS FOR 2010-2011

The Chair, Ms. Nilsson, reviewed the proposed New Committee Appointments for 2010-2011 and made a motion that they be approved as submitted. Second by Mr. Hartford. (Brief discussion ensued regarding the make-up of the Consumer Sector.) Motion carried.

Board Members were advised to pay particular attention to the committee appointments to make sure they are aware of their assignment(s).

COMMITTEE REPORTS

• **Planning and Evaluation Committee**

Mr. Hartford, Committee Chair, reviewed the following reports: ♦♦♦Big City Urban County Government Tenant Based Rental Assistance (TBRA) Sub-Recipient Review (Letter dated: 9/20/10; Review Conducted: 3/23/10); ♦♦♦Sweet Child Development Center Licensing and Regulations Report and Response (Letter dated: 10/19/10; Survey Conducted: 9/21/10) and Letter – Accepting Corrective Action Plan (Dated: 11/9/10 for Review Conducted: 9/21/10); ♦♦♦America Park Child Development Center Licensing and Regulations Report (Letter dated: 10/20/10; Survey Conducted: 10/5/10); ♦♦♦Letter – "No Regulatory Violations Found" – Woodlawn Child Development Center (Letter dated: 10/27/10; Investigation Conducted: 10/25/10); ♦♦♦Letter – "No Regulatory Violations Found" – North End Community and Technical College (NETC) Child Development Center (Letter dated: 10/28/10; Investigation Conducted: 10/6/10); ♦♦♦Letter – "No Regulatory Violations Found" – North End Community and Technical College (NETC) Child Development Center (Letter dated: 10/28/10; Investigation Conducted: 10/22/10); ♦♦♦Woodlawn Child Development Center Licensing and Regulations Report (Letter dated: 10/25/10; Licensure Inspection Conducted: 10/21/10); ♦♦♦Letter – "No Regulatory Violations

☉ Date

☉ Location, presiding officer, and roll call/quorum determination.

☉ Evidence that BCA board is attentive to the tripartite composition of the community action board.

☉ In compliance with the Community Services Block Grant Act, 42 USC 9910, BCAs board is engaged in planning, implementation, and development of programs; the minutes reflect the BCA board's attention to these matters.

Found” – Smithfield Child Development Center (Letter dated: 11/1/10; Investigation Conducted: 10/21/10); ♦♦♦Letter – “Corrective Action Plan Accepted” – Weatherization Program Monitoring Review (Letter dated: 10/26/10; Review Conducted: Feb. 24-25, 2010); ♦♦♦Kiwaniis Child Development Center Licensing and Regulations Report (Letter dated: 10/25/10; Inspection Conducted: 10/7/10); ♦♦♦Terrapin Park Child Development Center Licensing and Regulations Report (Letter dated: 11/2/10; Inspection Conducted: 10/28/10).

- **Program Development Committee**

The Committee did not meet during the month of November. Mr. Jones, Manager, Program Development, reviewed the Committee’s report for October. ♦♦♦**Artists Stand Against Poverty (A.S.A.P.)** Silent Art Auction held on November 13th went very well; an estimated \$3,000 was made.


- **Audit Committee**


Mr. Castle, Chief Financial Officer, reviewed the “draft” Audit for the Fiscal Year Ending June 30, 2010. Motion by Mr. Hartford that the Board of Directors accept the Community Action Council’s “Draft” Audit for the Fiscal Year Ending June 30, 2010. Second by Ms. Livingston. (Brief discussion ensued regarding fundraising.) Motion carried. (Note: A breakdown of fundraising activities is to be included in the January 2011 board packet.)


FINANCIAL REPORTS

The Assistant Treasurer, Ms. Chou, reviewed the Unaudited Balance Sheet for the period ending October 31, 2010 and made a motion on behalf of the Finance Committee that it be accepted for filing. Second by Mr. Hartford. Motion carried. Ms. Chou reviewed the Financial Statement for the period ending October 31, 2010 and made a motion on behalf of the Finance Committee that it be accepted for filing. Second by Ms. Livingston. (Brief discussion ensued.) Motion carried. Ms. Chou reviewed the following reports for the period ending October 31, 2010: Accounts Receivable; Line-of-Credit; Health Plan Financial Statement, the Unemployment Insurance Report for the quarter ending September 30, 2010 and the Big Sky Community Foundation Reports for the period ending September 30, 2010.

Ms. Chou reviewed the **Banking and Financial Transactions Authority** to designate Central Bank as BCA’s primary financial services provider. On behalf of the Finance Committee, Ms. Chou made a motion that the Board of Directors:

 *BCA board is paying attention to financial health and will zero in on fundraising revenue at the next meeting.*

 *BCA Board monitors cash inflows and outflows by reviewing four key reports.*

 *BCA’s Finance Committee performed the due diligence*

1. designate Central Bank as BCA's primary financial services provider;
2. authorize Howard Castle, Chief Financial Officer, to arrange for the transfer of the accounts listed in Item 1 - under DISCUSSION from Bank of America to Central Bank;
3. authorize the signers identified in Item 2 – under DISCUSSION to sign checks, authorize transfers between accounts and authorize ACH and wire transfers on behalf of BCA; and
4. ~~affirms~~ authorize the Executive Director and Chief Financial Officer, acting jointly, to execute loan documents and other credit instruments upon approval by the Board of Directors of budgets that expressly identify the related activity and the relevant financial costs. (Wording added to this item is underlined and *italicized*.)

necessary for a major financial decision. The committee members brought their recommendation to the full board for discussion and a vote. BCA board minutes carefully record the details of the board decision and evidence attention to internal controls.

Motion second by Mr. Hartford. (Brief discussion ensued.) Motion carried with the amendment to #4.

Ms. Chou reviewed the **Ratification of the Approval by the Chair of the Board of Directors of the Head Start/Early Head Start Request to Carry Over the FY 2009-10 Quality Improvement Fund Balance into FY 2010-11** and made a motion on behalf of the Finance Committee that the Board of Directors approve the recommendation. Second by Mr. Hartford. Motion carried.

BUDGET AMENDMENT

The Assistant Treasurer, Ms. Chou, reviewed the **Gridline Gas Energy Assistance Program 2010-2011 Budget Amendment #1** and made a motion on behalf of the Finance Committee that the amendment be approved. Second by Mr. Hartford. Motion carried.

NEW BUDGETS

The Assistant Treasurer, Ms. Chou, reviewed the **① Foster Grandparents (FGP) 2011 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Mr. Hartford. Motion carried. Ms. Chou reviewed the **② Retired and Senior Volunteer Program (RSVP) 2011 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Mr. Hartford. (Brief discussion ensued.) Motion carried. Ms. Chou reviewed the **③ Family Self-Sufficiency Program 2011 Budget** and made a motion on behalf of the Finance Committee that the budget be approved contingent upon final contract agreement. Second by Mr. Hartford. Motion carried. Ms. Chou reviewed the **④ HOME-GAP Rehabilitation 2010-2011 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Mr. Hartford. Motion carried. Ms. Chou reviewed the **⑤ Big City Clinic Foundation Health Assessment 2010-2011 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Livingston. Motion carried. Ms. Chou reviewed the **⑥ Senior Medicare Patrol 2010-2011 Budget** and made a motion on behalf of the Finance Committee that the budget be approved. Second by Ms. Livingston. Motion carried. Ms. Chou reviewed the **⑦ State Housing Corporation-Tenant Based Rental Assistance 2011-2012 Budget** and made a motion on behalf of the Finance Committee that the Board of Directors approve the budget contingent upon receipt of the award document.

Second by Mr. Hartford. Motion carried. ♦♦♦♦*The Chair, Ms. Nilsson, stated this would be Ms. Chou' last board meeting and asked board members to "give her a big hand" for a job well done!*

2011 AGENCY HOLIDAY AND BOARD MEETING SCHEDULE

The Executive Director, Ms. Watson, reviewed the 2011 Agency Holiday and Board Meeting Schedule. Motion by Mr. Hartford that the Board of Directors approve the proposed schedule of holidays and board meeting dates. Second by Ms. Livingston. (Brief discussion ensued.) Motion carried.

PROGRAM UPDATE: PEACE TREE COUNTY CENTER (HIGHLIGHTS OF RECENT ACCOMPLISHMENTS.)

Ms. Sissy James, Interim Manager, Peach Tree County Center, presented an informative PowerPoint presentation featuring highlights of the center's recent accomplishments.

OPERATIONS REPORTS

The Executive Director, Ms. Watson, reviewed the Operations Reports for October 2010. She also reviewed her November 1, 2010 memo on the Status of the 2010 Employee Compensation Plan.

☉ *BCA board members are paying attention to the overall cost and structure of BCA employee compensation and fringe benefit plan. The November 1, 2010 memo is a key exhibit in BCA's minute book.*

EVALUATION OF THE NEW BOARD MEETING STARTING TIME – EFFECTIVE JANUARY 2010

Effective as of the January 2010 Board of Directors' meeting, the starting time of the meeting was changed from 7:30 p.m. to 6:30 p.m. This change was to be evaluated at the November 2010 board meeting. A review of board attendance for 2010 was compared with attendance during 2009 and as a result, it was decided to continue the starting time of 6:30 p.m.

☉ *BCA minutes record the final outcome of the "Board Meeting Days and Times" review launched with the formation of an ad hoc committee in April 2009.*

NEXT MEETING

The next meeting of the BCA Board of Directors will be January 13, 2011 at 6:30PM. The BCA Board will not meet in December 2010.

ADJOURNMENT

Motion by Mr. Hartford that the meeting be adjourned. Second by Ms. Harris. Motion carried. The meeting was adjourned at approximately 8:12 p.m.

MEMBERS PRESENT

Larry Hartford*	Mag Davis	Leslie Chou*
Delaney Clayton*	Devon McDuff	Anita Nilsson*
Cindy Quense	Tiana Litwin*	Loretta Chapman*
Larry Jones	Mary Little	Mark Rodman
Marsha Harris*	Mary Bissell	Lou Espinosa
Melody Livingston	Lillian Vernon*	Noel Burke

Rita Newman	Maureen Whipple	Aki Taan
<u>EXCUSED ABSENCES</u>		
Gloria LeGrande	Caesar Cruz	Albert Mason
Hank Simpson*	Ann Varney	Harold Wiley
Celia Williams	Ginny McNeal	
<u>ABSENCES</u>		
Warren Yatzke	Susan Gallagher	Kathy Johnson
Pete Janko	Mickey Shay	Alex Donovan
Max Weingard	Sandra Fraser	

Respectfully submitted,

Delaney Clayton, Secretary

Date Signed

cc: Members, Board of Directors
Cabinet for Health and Family Services

*DENOTES EXECUTIVE COMMITTEE MEMBERS AS REQUIRED AT THE AUGUST 25, 2002 BOARD MEETING, BOARD MINUTES 11 22 2010

SECTION 2

**Improving a CAA's
Financial Capacity**

Appendix A

Sample CFO Job Description

Sample CFO Job Description

Blue Community Action
Position Opening (City, State)
(Posted: April 15, 201X)

POSITION: Chief Financial Officer (CFO).

SALARY AND BENEFITS: The salary for this position ranges from between \$70,000 and \$90,000 per annum, depending on education and experience. BCA offers all full-time employees health and dental insurance (under the existing plan, the employee pays 20% of the annual premium, plus deductibles), participation in a 403(b) plan (with a BCA match), group term life-insurance (150% of annual salary), long-term disability insurance, 3-weeks annual paid vacation, 10 personal days, and continuing education opportunities.

RESPONSIBILITIES AND DUTIES: The CFO will manage BCA's finance and accounting operations and a staff of five. The CFO (and the staff that the CFO supervises) will be responsible for the following: (i) entry of all financial data; (ii) the accounts receivable, payable, payroll, grant management, and purchasing functions; (iii) preparation of interim (monthly) and annual financial statements; (iv) preparation of capital and operating budgets; (v) maintenance of BCA's relationship with its lenders; (vi) maintenance of BCA's relationship with its external auditors; (vii) tax compliance, including federal and state income tax, state and local property tax, and sales and use tax; (viii) risk management, including evaluation and procurement of all insurance; (ix) continuous improvement to BCA's system of internal controls; and (x) strategic planning. The CFO will attend regular meetings of the board and its audit and finance committees, responding to their requests for information. The CFO will also work with program heads, assisting them with program budgeting, submission of grant proposals, and compliance with grant and contract terms.

REPORTS: The CFO will work with and report primarily to BCA's executive director. The CFO will regularly work with BCA's board, including its finance and audit committees. In certain matters, the CFO will have a direct report to the board chairperson, or a designee.

QUALIFICATIONS: Qualified candidates must have a BS degree in finance or accounting (or equivalent) and a minimum of seven years experience in fiscal management and financial reporting, preferably with a nonprofit providing social services. Preference will be given to candidates who have experience working with federal grant, contracting, and procurement requirements, including OMB Circulars A-110, A-121, and A-133. Candidates should also be familiar the federal tax rules governing Section 501(c)(3) organizations, wage and hour reporting, workers'

compensation insurance, state unemployment insurance, and employee benefits. Candidates should also have information technology skills, including knowledge of Excel, PowerPoint, and extensive knowledge of and comfort working with computerized accounting systems. As noted under responsibilities and duties, the CFO is expected to interact with all levels of the BCA, including the board of directors, which means the successful candidate will need demonstrated oral and written communication skills.

REFERENCES: Finalists for the position will be requested to provide a list of references and to sign a statement granting BCA permission to contact the references. Finalists will also be required to undergo a criminal background check.

ABOUT BCA: BCA is a community action agency that provides social services to members of the City community. It currently operates Head Start, child care services, family shelter, job training, energy assistance, low-income housing, senior recreation, and formula distribution programs. Last year, it received \$22 million in federal and state grants and an additional \$7 million in other revenue.

BCA currently employs 100 full-time equivalent employees. It also relies on about 200 volunteers. Its operations are located in one building that houses the bulk of its staff and programs. However, BCA also rents three store-front locations for its child care and job training programs.

BCA uses a customized accounting system. The system was developed to provide social services agencies that are highly reliant on government funding with the accounting infrastructure to facilitate grant compliance. It has outsourced its payroll processing to a national vendor of such services, thereby freeing up staff for more strategic work.

BCA currently employs three bookkeepers, a grant-management specialist, and a CPA, all of whom report to the CFO.

APPLICATION DEADLINE: Resumes will be accepted prior to May 15, 20X1, with a decision expected to be made before July 15, 20X1. Interested persons should submit their resumes to Larry Garcia, Blue Community Action, 1234 West Elm Street, City, State 555-555-5555. Alternatively, resumes may be submitted by email: Subject Line: 20X1 CFO Opening; Address: lgarcia@bca.orX

EQUAL OPPORTUNITY EMPLOYER: BCA is an equal opportunity employer. Qualified applicants are considered for employment without regard to age, race, color, religion, sex, national origin, sexual orientation, disability, or veteran status. If you need assistance or an accommodation during the application process because of a disability, it is available upon request. BCA is pleased to provide such assistance, and no applicant will be penalized as a result of such a request.

Appendix B
FAQ: CFO/Fiscal Director Positions

FAQ: CFO/Fiscal Director Positions

1. Is the CFO/Fiscal Director an “officer” for 990 reporting purposes?

In most cases, the CFO will meet the 990 definition for an “officer.” The 2010 instructions for IRS Form 990 define an “officer” for reporting purposes as the “top financial official.” That is the official who has ultimate responsibility for managing the organization’s finances.

2. Do CFOs with CPA licenses confront any special challenges?

CPAs must comply with the standards and requirements for professional conduct established under state law. In general, these requirements prohibit the CPA from associating himself with false or misleading financial reports or knowingly participating in inaccurate or deceptive reporting to the IRS or any other regulatory body. Consequently, in addition to the usual ethical considerations of any responsible employee, the CFO who is a CPA must consider the degree to which his conduct complies with applicable professional and ethical standards.

3. How much involvement should the top financial official have in the selection of the outside audit firm?

The CFO generally organizes the process through which auditor selection will occur, working closely with the person in charge of procurement for the CAA. The selection, however, is the board's responsibility because the audit is for its benefit rather than management's. The board should look to its audit committee to make a recommendation to the board.

The CFO or other fiscal staff frequently assist the procurement officer develop a list of firms interested in responding to a RFP for audit services by obtaining information about CPA firms that have performed A-133 audits for similar organizations. The CFO often prepares a draft RFP which provides background information about the CAA and describes the constraints on or deadlines for the audit. The board, or its audit committee, should review the RFP and the list of potential candidates before the RFP is distributed, taking the review as an opportunity to amend the RFP or add other candidates to the list.

The board, or its audit committee, should review all responses to the RFP. It should also interview each finalist. Although the presence of staff during interviews will prove helpful, at some point during the interview, the board should excuse the staff so that the board can discuss its role and expectations regarding the audit.

4. What should we do if our current CFO unexpectedly departs?

Selection of a CFO is critical to a CAA's success. Rushing to fill an unexpected vacancy frequently creates more problems than it solves. Sometimes someone who had worked for the CFO can serve as an interim CFO. Before tapping this person, the CAA should decide whether this person will be considered during the search for a permanent replacement. The CAA should then communicate that information to the person so that there are no misunderstandings. In some instances, the interim CFO will require assistance. In these instances, the CAA should consider contacting a temp agency that can supply the appropriate finance and accounting personnel. Even when the interim CFO is eager to demonstrate a commitment to cost savings, the CAA should be cautious: Understaffing the department for more than a limited period can result in other staff members burning out.

The CAA has several options if there is no staff member capable of serving as the interim CFO. The CAA may be able to look to other staff members to assume the more technical aspects of the CFO's position on a short-term basis, but this should not delay the search for a permanent CFO. Although current staff may be able to handle these aspects, the critical strategic aspects of the CFO's job are likely to suffer.

The CAA should not hesitate in seeking the assistance of and recommendations from the CAA's auditor and other CPAs who have worked with the CAA--although there may be limitations on the assistance that the auditor can provide and still be able to perform the audit. Board members may also be able to use their professional networks to identify potential interims. Recently retired CFOs from other nonprofits may provide the best pool of individuals who are both prepared to step in and available for short term assignments. The CAA should also contact state nonprofit associations and organizations specializing in developing nonprofit capacity. These organizations may have people available to assist on an interim basis and they may be able to help with the search. For-profit temporary employment services may also be able to provide interim CFOs, but be cautious: Due to lack of familiarity with CAAs, some of these agencies may underestimate the skills necessary to properly handle the restrictions and reporting requirements that come with government grants and contracts.

5. Should we consider CFO candidates with limited or no experience in nonprofit organizations?

In many regions, CAAs are among the largest and most complex providers of social services. While nonprofit hospitals and universities, as well as governmental entities, have well established professional development pipelines that continuously replenish the supply of

candidates, this is not always the case for social service agencies. CAAs may therefore be unable to find a replacement who has a deep knowledge of the requirements that come with the types of government contracts and grants that CAA's typically seek. Nevertheless, so-called "cross-overs" from other industries frequently bring strong leadership skills and innovative approaches to systems and workflow. The CAA's task will be to identify the candidates who are quick learners and who have demonstrated experience addressing new challenges.

Before hiring a cross-over, the CAA should make sure that the candidate understands what will be a new environment. There may be fewer resources available than the candidate is accustomed to. Moreover, the CAAs internal workings and dynamics may be confusing and cumbersome. While many find great satisfaction in being part of a team dedicated to improving their community and "giving back," others find the focus on mission rather than financial outcomes makes measuring progress difficult. Additionally, the CFO who is new to the nonprofit sector may need to build additional skills in communicating financial information to fellow managers and in some cases board members who lack formal financial training and confidence in their own understanding of finances.

CAAs that select a CFO without nonprofit financial leadership experience should be prepared to work with their new leader to develop explicit expectations for mastery of both the technical aspects of the job and the cultural and communication challenges that come with working with people who may not be as focused on a financial bottom line.

6. What types of tax/IRS issues should our CFO be prepared to handle?

The CFO should play a leadership role in ensuring that the CAA maintains its tax exempt status and avoids unnecessary tax liabilities and penalties. Although many CAAs rely on outside professionals to prepare key tax reports (e.g., Form 990, Form 990-T, Form W-3, Form 5500), the CFO remains responsible for ensuring compliance with the underlying regulations and maintaining the records required for completion and substantiation of reports to the IRS.

The CFO should focus on a number of tax compliance issues. At the federal level, these include excess benefits transactions, automatic excess benefits, executive compensation, deferred compensation, unrelated business income, lobbying and political activity, fiscal sponsorships, employee-independent contractor classification, trust fund taxes, and the tax implications from joint ventures and partnerships. At the state and local level, these include sales and use taxes, property taxes, and trust fund taxes.

Appendix C
RFP From Auditors: A Suggested Checklist

RFP From Auditors: A Suggested Checklist

Describing the CAA

With respect to the CAA, the RFP should:

1. Briefly describe the CAA's mission, programs, primary sources of revenue, relative size (e.g., revenues, expenses, gross and net assets), and principle grants and contracts.
2. Briefly describe the the CAA's accounting and finance staff and their backgrounds and experience.
3. Indicate whether the CAA has an audit committee and briefly describe who the auditor's primary contact will be.
4. Describe the CAA's relationship with its current or prior auditor (optional).
5. Describe the CAA's accounting system and accounting software.
6. Identify the CAA's location(s) and any possible need for fieldwork.
7. Either include or offer to make available the CAA's financial statements and IRS Form 990.

Enumerating the Requested Services

With respect to the requested services, the RFP should:

1. Specify the timeframe for the services.
2. Indicate whether the audit is limited to a standard financial statement audit, or will be used to satisfy Single Audit Act (SAA) and OMB A-133 requirements. The latter requires additional reports, usually addressing internal controls and compliance with grant requirements and related laws.
3. Identify any required non-attest services and then specify whether those are to be addressed in the proposal or are subject to a separate RFP. Those might include preparation of the Form 990 or preparation of state charitable solicitation filings.
4. Identify any limitations on the engagement or the auditor's work.
5. If the audit is a SAA or similar audit, identify the type of grants, the grantors, and any special requirements.
6. Describe requirements for progress reports and notifications in the event fraud is uncovered.
7. Specify required deliverables, including the physical number of reports to be provided by the auditor; and what sort of management letter is expected.

8. Describe expectations regarding exit interviews with the audit committee and/or management and meetings with the audit committee.
9. Specify the number of years covered by the RFP (e.g., just one audit or annual audits for the next five years).
10. Specify the selection criteria (optional).
11. Specify the deadline by which the proposal must be received and, if relevant, the means of delivery (e.g., by post, delivery service, or email).
12. Identify required representations regarding the applicant's experience, qualification, independence, and licensing.

Requesting Information

The RFP should ask the auditor to:

1. Briefly describe the auditor's approach to the audit process.
2. Provide the qualifications and experience of the persons who will staff the audit.
3. Describe the auditor's relevant experience, including names of similar clients and references.
4. Include a proposed budget, which identifies hourly rates and the experience mix of audit team members that will staff the audit.
5. Identify the person to be contacted if the applicant has questions; and
6. Include a copy of the auditor's standard form engagement letter.

CAAs should exercise some discretion when referring to this list of suggested items to be included in the RFP, particularly if the audit or the universe of potential auditors is small. The CAA may have to reduce the amount of requested information in order to attract any proposals. Nevertheless, before any CAA signs an engagement letter, it should have all the suggested information. As should be evident, the CAA should not make price its sole determinant in selecting an auditor.

Appendix D
Engagement Letters: Common Terms

Engagement Letters: Common Terms

The CPA's Perspective

If the CPA firm has had a lawyer draft its standard form engagement letter, the CAA should not be surprised to find a letter that:

1. Identifies the name of the CAA and each affiliated entity to be audited, the financial statements to be audited, and the statement “as of” and “for the period ended” dates.
2. Incorporates relevant terms from the RFP and the winning proposal. This might best be accomplished by incorporating the RFP by reference and attaching it to the letter.
3. If the audit is a SAA audit, indicates that the audited statements will include the Schedule of Expenditures of Federal Awards and refer to the additional reports and opinions that will be required.
4. States the auditing standards that will govern the conduct of the audit.
5. Identifies the audit’s objectives and any limitations.
6. Addresses the circumstances that could give rise to a qualified or adverse opinion or a disclaimer of opinion.
7. Identifies management’s responsibilities. These typically include: (a) establishing and maintaining internal controls; (b) designing and implementing all programs and controls necessary to identify and prevent fraud; (c) selecting and applying accounting principles; (d) preparing the financial statements and the accompanying schedules in conformity with GAAP; (e) making all management decisions and performing all management functions; (f) making all financial records and relevant information available to the auditor; (g) making all necessary adjusting entries necessary to avoid material misstatements in the financial statements; and (h) complying with all applicable laws and grant requirements.
8. States that management will be required to make a number of representations, including ones pertaining to disclosure of any fraud, absence of management overrides of internal control, and condition of internal controls.
9. Acknowledges that management will bring all known fraud to the auditor’s attention.
10. States that management will disclose previous audits and corrective actions taken by management in response to those audits.
11. Describes how the auditor will communicate information to management and the board.

12. Describes audit procedures, including the procedures for examining internal controls.
13. Describes the auditor's commitment to protect the CAA's confidential information.
14. Describe the possibility that the audit and the CAA's information may be subject to a peer review process.
15. States that the auditor may use third-party service providers during the course of the audit, which may involve sharing confidential information with those providers.¹
16. If the audit is conducted pursuant to the SAA, states that management is responsible for submitting the Data Collection Form to the FAC.
17. States that the audit documentation (workpapers) are the auditor's property and are confidential information, but will be released as required by law and to the cognizant or oversight agency or its designees if requested.
18. States the CAA's minimum retention period for the audit documentation.
19. Addresses the auditor's right to withdrawal from the engagement and the circumstances that could give rise such a withdrawal.
20. States the fee or an estimate and describe the circumstances that will result in upward adjustment to the fee (e.g., uncooperative client personnel or unexpected circumstances).
21. States what out-of-pocket (e.g., travel, copying, courier services) disbursements will be billed to the CAA and at what rate.
22. Describes billing procedures (e.g., monthly) and payment terms.
23. Requires the CAA to sign the letter agreement.

The CAA's Perspective

Many of the provisions in the auditor's engagement letter are perfectly appropriate, setting forth the financial terms of the arrangement and the scope of the work. CAAs, however, should make no mistake about many of the other provisions. They are designed to protect the CPA firm from liability in the event of a failed audit--the financial statements turn out to have been materially mistated or major fraud is subsequently uncovered. This is particularly true with respect to provisions that require the CAA to make certain representations, undertake certain actions, or acknowledge certain responsibilities. CAAs should not hesitate to ask that terms of the letter be modified, particularly if the CAA knows that it will not be able to comply with the requirements. There is nothing wrong with pushing back. CAAs should have their lawyers review the engagement letter.

¹ This is required by AICPA, Rules of Professional Conduct ET-191.224-25 and 291.023-.024.

Engagement letters will only grow longer with the passage of time. CAAs should read them carefully and make sure that their representations are accurate and that the duties they agree to undertake can be fulfilled.

Although CAAs may welcome a short engagement letter, this may be a telltale sign that the auditor lacks sophistication, which may call into question their skill level.

Appendix E
Standard Representations Required
As Part of An Audit

Standard Representations Required As Part of An Audit

Under the AICPA's auditing standards, management will be required to make, among others, representations to the auditor as to whether:

1. The financial statements comply with GAAP.
2. Management believes the financial statements fairly present the organization's financial position, results of operations, and cash flows.
3. Management has made all financial records available to the auditor.
4. Management has made available all board and committee meeting minutes to the auditor.
5. Those minutes reflect all significant board and committee actions.
6. There are no written or oral communications from regulatory or others indicating possible deficiencies in financial reporting practices.
7. All material transactions are properly recorded in the accounting records.
8. All transactions have been recorded.
9. Management acknowledges that the design and control of internal controls are its responsibility.
10. Management has no knowledge of any fraud or suspected fraud.
11. Management has no knowledge of any allegations of fraud or suspected fraud.
12. Management has no plans or intentions that materially affect the carrying value of assets or liabilities.
13. Related-party transactions have been properly reflected or disclosed in the organization's financial statements.
14. The organization has not entered into any guarantees.
15. There are no significant estimates or material concentrations that must be disclosed in accordance with SOP 94-6, *Disclosure of Certain Significant Risks and Uncertainties*.
16. There are no violations of laws or regulations.
17. Counsel hasn't advised management of any unasserted claims or assessments if assertion of such claims or assessments is probable.
18. The organization has title to all owned assets.
19. All owned assets are free from liens and encumbrances.
20. Any owned assets have been pledged as collateral.
21. The organization is in compliance with all other contractual obligations.

Appendix F
Sample Audit Committee

Sample Audit Committee

The Blue Community Action's (BCA) board of directors has chartered the audit committee to assist the board in fulfilling the board's general oversight responsibilities. In discharging its duties, the audit committee should consider the two primary aspects of the audit function: (i) assuring that BCA's accounting system produces both interim and annual financial statements that accurately reflect BCA's financial position and operating results in all material respects; and (ii) assuring that internal systems are in place to protect BCA's financial resources from fraud, misappropriation, waste, or other improprieties. Although the audit committee is not charged with actually designing BCA's accounting and reporting system, implementing controls, producing financial statements, or conducting audits, the committee is charged with overseeing those who are responsible for such activities.

SECTION 1. MEMBERSHIP. The audit committee shall be comprised of at least three board members, each of whom is independent.

- 1.1 **QUALIFICATIONS.** Each member of the audit committee shall have the ability to read and understand financial statements. If at least one member is not an audit committee financial expert, the committee shall retain a professional who qualifies as an audit committee financial expert to advise the committee on an ongoing basis.
- 1.2 **VACANCIES.** When a position on the audit committee becomes vacant, the audit committee shall notify the board, which shall then appoint a replacement member. The audit committee may provide the board with a recommendation for a replacement member at the time it notifies the board of a vacancy.
- 1.3 **CHAIRPERSON.** If the board does not name a chairperson, the committee shall select a chairperson.

SECTION 2. MEETINGS. At a minimum, the audit committee shall meet quarterly, but it can meet more often and at such times as needed.

- 2.1 **QUORUM.** The committee must have a majority of its members present to conduct business. When a quorum is present, the committee may take action and make decisions based on a majority of those present.
- 2.2 **MINUTES.** The committee shall maintain written minutes detailing its proceedings and decisions.
- 2.3 **LIMIT ON THE PRESENCE OF OTHERS.** Subject to applicable open meeting laws, the committee's meetings shall be open only to members of the committee. At the invitation of the committee, BCA's employees and professional advisors may attend meetings to answer questions, provide information, or otherwise assist the committee.

SECTION 3. DUTIES. The audit committee shall:

- 3.1 **SELECTING THE AUDITOR.** The board shall select the auditor and enter into an engagement letter after receiving a recommendation from the committee. To facilitate the board's decision, the committee shall conduct the search process, including identifying appropriate candidates, interviewing those candidates, and examining peer reviews. The committee is charged with negotiating the terms of the engagement and discussing with the auditors how the audit will be conducted. In formulating its recommendation to the board, the committee should consider the following, among other relevant, factors: peer reviews, cost, experience with comparable organizations, and general reputation. Although cost is always a consideration when retaining outside professionals to render services, cost should not necessarily be the determinative factor. The committee may seek the assistance and recommendations of management as it proceeds with the selection process and develops a recommendation for the board's consideration.
- 3.2 **COMMUNICATING WITH THE AUDITOR.** The committee shall engage in regular communications with the auditor. These discussions shall occur during the planning, execution, and concluding phases of the audit. The committee shall discuss with the auditor its conclusions, findings, and recommendations. As part of that discussion, the committee should review BCA's audited financial statements with the auditor. It shall also review with the auditor any communications required under SAS Nos. 114 and 115, and discuss with the auditor any recommendations to improve BCA's system of internal controls and financial reporting. The committee shall also: (i) resolve any disputes between the auditors and BCA's management; and (ii) meet with the BCA's chief financial officer and appropriate staff to determine how to implement the auditor's suggestions.
- 3.3 **APPROVING NON-AUDIT SERVICES.** Management must obtain board approval before engaging the auditors to perform non-attest services. The audit committee shall be management's initial contact in this process. The committee shall evaluate the proposal, particularly its potential impact on the auditor's independence, and then make a recommendation to the board.
- 3.4 **ADDRESSING CONCERNS OF STAKEHOLDERS REGARDING FRAUD.** The audit committee shall serve as the recipient of whistleblower reports under BCA's whistleblower policy to the extent those reports pertain to BCA's financial affairs and resources, including fraud and other financial crimes. The committee has the authority to investigate and respond to such reports, but it shall keep the board fully apprised of any reports and the resulting investigation. The committee shall maintain records which track incidents or concerns reported to the committee. At a minimum, those records shall include the name of the person reporting the incident

or concern, the date the person first contacted the committee, the nature of the incident or concern, the actions taken to address the reported incident or concern, and the manner in which the committee followed up with the person reporting the incident or concern. If a report from a whistleblower involves a matter beyond the scope of the audit committee's duties, the audit committee shall refer that person to the appropriate recipient for the report, as designated in BCA's whistleblower policy.

- 3.5 **MONITORING FEDERAL GRANT REQUIREMENTS.** The audit committee shall assess the need for and review any audits that may be required under the Single Audit Act, federal or state regulations pertaining to grants, or any other requirements. It shall also conduct an annual discussion and interview with the staff regarding BCA's compliance with federal, state, and local grant and procurement requirements. The audit committee shall provide the board with an annual report summarizing such communications.

SECTION 4. ANNUAL BUDGET. The audit committee shall submit an annual budget for its operations to the board for approval.

SECTION 5. TRAINING AND ORIENTATION. The audit committee shall develop materials to be used by new committee members for orientation. In connection with that orientation, the committee may send new committee members to appropriate seminars or courses. The committee may also arrange or provide continuing educational opportunities to existing committee members.

SECTION 6. RETENTION OF OUTSIDE LEGAL COUNSEL. The audit committee shall have the authority to retain independent legal counsel to advise the committee as needed. The committee is authorized to retain such counsel despite the fact that no allowance for such counsel is made for in the committee's audit annual budget, provided that if it will not impede the work of the committee, the committee shall notify the appropriate officers of the need to retain counsel so that the availability of financial resources to pay the independent counsel can be assessed and arranged. In such event, the committee need only provide the appropriate officers with an estimate of the cost of retaining such independent counsel.

SECTION 7. REPORTS TO THE BOARD. In addition to the communications from the audit committee to the board provided for herein, at least once a year, the committee shall provide the board with a written report describing its activities during the preceding year in sufficient detail so as to permit the board to determine whether the committee is properly discharging its duties.

SECTION 8. DEFINITION. For purposes of this charter, an audit committee financial expert is a person who has either through education or experience as a public accountant, auditor, financial officer, accountant, business executive, or director of other organizations, gained: (i) an understanding of generally accepted accounting principles and financial statements; (ii) experience with internal controls and

procedures for financial reporting; (iii) and an understanding of audit committee functions.

Appendix G
Examples of Significant Control Deficiencies and
Material Weaknesses Taken From Actual SAS
No. 115 Letters

Examples of Significant Control Deficiencies and Material Weaknesses Taken From Actual SAS No. 115 Letters

Example 1: Significant Deficiency

OBSERVATION: The Organization does not have adequate procedures in place to ensure accurate closing and review process to determine that the financial statements are accurately presented. There were ten entries proposed during fieldwork.

RECOMMENDATION: The books are the responsibility of the Organization and as such, management should review the closing process to ensure that the general ledger reflects the actual activity and balances at year end. The Organization should pay close attention to closing of books to ensure that financial statements are fairly stated. A list of these entries has been provided to management.

Example 2: Material Weaknesses

FINANCIAL STATEMENT PREPARATION AND ACCOUNTING ASSISTANCE: We assisted in the preparation of the Organization's year end financial statements. The Organization has not hired personnel trained to, and assigned responsibility for, preparation of annual financial statements including related footnote disclosures. Therefore, the Organization does not have qualified resources to perform these functions and relies on its external auditors to assist in the preparation and drafting of annual financial statements and financial disclosures. Under the provisions of American Institute of Certified Public Accountants Statement of Auditing Standards No. 112, the lack of the skills and knowledge necessary to apply generally accepted accounting principles in preparing financial statements are defined as areas of material weakness in internal control.

The Organization should periodically consider its alternatives to either obtain this required expertise, whether on a full time or as needed basis, or continue to outsource these functions. However, outsourcing of these functions requires oversight of these processes by a member of the Organization's management who has the appropriate skill, knowledge and/or experience and will also accept responsibility for the results.

Example 3: Significant Deficiency

ACCOUNTS PAYABLE. During our search for unrecorded liabilities, we noted one exception in which an invoice relating to services performed prior to year-end were not recorded as payables in the proper period. Proper cutoffs are critical for the accuracy of the accrual basis of accounting. We suggest that the Controller prepare written instructions to be included as a part of the Company accounting policies and

a procedures' manual that indicates basic concepts of proper cutoffs and the individuals responsible for accruing payables at the accounting period end.

Example 4: Significant Deficiency

FAILURE TO PROPERLY APPLY GAAP. During our audit, we became aware that several of the Council's operating leases contain clauses that require scheduled rent increases. The Council currently records rent expense as the rent becomes payable. SFAS, Accounting for Leases, requires rental expense to be recognized on a straight-line basis, even if the rental payments are not made on this basis. We recommend that the Council record their rent expense on a straight-line basis to be in accordance with accounting principles generally accepted in the United States.

Appendix H

Useful Web Sites

Useful Web Sites

American Institute of CPAs – Not-for-Profit Conferences and Resource Materials:

- www.aicpaconferencematerials.com/notforprofit
- www.aicpa.org/Publications/AccountingAuditing/KeyTopics/Pages/NotForProfitEntities.aspx

Bridgespan/Bridgestar:

The Nonprofit Chief Financial Officer-

- <http://www.bridgestar.org/Library/NonprofitCFO.aspx>

Bridgespan Sample Nonprofit CFO Job Description-

- web.bridgespan.com/LearningCenter/ResourceDetail.aspx?id=500

CAPLAW Financial Forum, Webinars, and Trainings

- www@caplaw.org

Government Accountability Office Report to Congress on Treatment of Indirect Costs

- www.gao.gov/products/GAO-10-477

The Nonprofit Finance Fund:

- <http://nonprofitfinancefund.org/knowledge-advocacy>

The Nonprofit Quarterly:

- <http://www.nonprofitquarterly.org>

Stanford Social Innovation Review:

- www.ssireview.org/topics/category/nonprofit_management/

WIPLI Trainings for Managers of Federal Funds

- www.wipfli.com/Industry_NonProfitandGovernment.aspx

Office of Head Start Early Childhood .Knowledge and Learning Center:

- <http://eclkc.ohs.acf.hhs.gov/hslc/tta system/ operations/ Fiscal/Narrative%20Discussions/TestAuditRequir.htm>

SECTION 3

**Creating the Annual
Operating Budget**

Appendix A

Sample Cost Allocation Plan

XYZ COMPANY

Model Cost Allocation Plan

Use the following model Cost Allocation Plan (CAP) as guidance for Non-profit organizations. The CAP should be tailored to fit the specific policies of each organization. If your organization's policies are different in any of the categories, please specifically identify the methodology used. Although there are different methodologies available for allocating costs, the methodology used should result in an equitable distribution of costs to programs. Recipients must have a system in place to equitably charge costs. Additionally, as required by Office of Management and Budget Circular A-122, time distribution records must reflect an after-the-fact determination of the actual activity of each employee. Considerations in determining an appropriate base for allocating costs include the relative benefits received, the materiality of the cost, and the amount of time and cost to perform the allocation.

XYZ COMPANY

COST ALLOCATION PLAN

Purpose/General Statements

The purpose of this cost allocation plan is to summarize, in writing, the methods and procedures that this organization will use to allocate costs to various programs, grants, contracts and agreements.

OMB Circular A-122, "Cost Principles for Non-Profit Organizations," establishes the principles for determining costs of grants, contracts and other agreements with the Federal Government. *XYZ Organization's* Cost Allocation Plan is based on the Direct Allocation method described in OMB Circular A-122. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by *XYZ Organization*.

General Approach

The general approach of *XYZ Organization* in allocating costs to particular grants and contracts is as follows:

- A. All allowable direct costs are charged directly to programs, grants, activity, etc.
- B. Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- C. All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated to programs, grants, etc. using a base that results in an equitable distribution.

ALLOCATION OF COSTS

The following information summarizes the procedures that will be used by *XYZ Organization* beginning *Month/Day/Year*:

- A. Compensation for Personal Services - Documented with timesheets showing time distribution for all employees and allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see example 2).
 1. Fringe benefits (FICA, UC, and Worker's Compensation) are allocated in the same manner as salaries and wages. Health insurance, dental insurance, life & disability and other fringe benefits are also allocated in the same manner as salaries and wages.
 2. Vacation, holiday, and sick pay are allocated in the same manner as salaries and wages.
- B. Travel Costs - Allocated based on purpose of travel. All travel costs (local and out-of-town) are charged directly to the program for which the travel was incurred. Travel costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Travel costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).
- C. Professional Services Costs (such as consultants, accounting and auditing services) - Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- D. Office Expense and Supplies (including office supplies and postage) - Allocated based on usage. Expenses used for a specific program will be charged directly to that program. Postage expenses are charged directly to programs to the extent possible. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see Example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see Example 4).
- E. Equipment - *XYZ Organization* depreciates equipment when the initial acquisition cost exceeds \$x,xxx. Items below \$x,xxx are reflected in the supplies category and expensed in the current year. Unless allowed by the awarding agency, equipment purchases are recovered through depreciation. Depreciation costs for allowable

equipment used solely by one program are charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program's expenses to the total of such expenses (see example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see example 4).

- F. Printing (including supplies, maintenance and repair) - Expenses are charged directly to programs that benefit from the service. Expenses that benefit more than one program are allocated based the ratio of the costs to total expenses. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see example 4).
- G. Insurance - Insurance needed for a particular program is charged directly to the program requiring the coverage. Other insurance coverage that benefits all programs is allocated based on the ratio of each program's expenses to total expenses (see example 4).
- H. Telephone/Communications - Long distance and local calls are charged to programs if readily identifiable. Other telephone or communications expenses that benefit more than one program will be allocated to those programs based on the ratio of each program's expenses to the total of such expenses (see example 3). Costs that benefit all programs will be allocated based on the ratio of each program's expenses to total expenses (see example 4).
- I. Facilities Expenses - Allocated based upon usable square footage. The ratio of total square footage used by all personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to program based on the ratio of program square footage to total square footage (see example 5).
- J. Training/Conferences/Seminars – Allocated to the program benefiting from the training, conferences or seminars. Costs that benefit more than one program will be allocated to those programs based on the ratio of each program's salaries to the total of such salaries (see Example 1). Costs that benefit all programs will be allocated based on the ratio of each program's salaries to total salaries (see Example 2).
- K. Other Costs (including dues, licenses, fees, etc.) - Other joint costs will be allocated on a basis determined to be appropriate to the particular costs. (*Grantee should describe methodology for applicable costs*).
- L. Unallowable Costs – Costs that are unallowable in accordance with OMB Circular A-122, including alcoholic beverages, bad debts, advertising (other than help-wanted ads), contributions, entertainment, fines and penalties. Lobbying and fundraising costs are unallowable, however, are treated as direct costs and allocated their share of general and administrative expenses.

Examples of Allocation Methodology

Example 1

Expense Amount = \$5,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's personnel costs (salaries & applicable benefits) to the total of such personnel costs, as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	20%	\$1,000
C	\$ 30,000	30%	\$1,500
E	\$ 50,000	50%	\$2,500
Total	\$100,000	100%	\$5,000

Example 2

Expense Amount = \$10,000

Costs that benefit all programs are allocated based on a ratio of each program's personnel costs (salaries & applicable benefits) to total personnel costs as follows:

Grant	Personnel Costs	%	Amount Allocated
A	\$ 20,000	13%	\$1,300
B	\$ 10,000	7%	\$ 700
C	\$ 30,000	20%	\$2,000
D	\$ 40,000	27%	\$2,700
E	\$ 50,000	33%	\$3,300
Total	\$150,000	100%	\$10,000

Example 3

Expense Amount = \$4,000

Costs that benefit two or more specific programs, but not all programs, are allocated to those programs based on the ratio of each program's expenses (direct costs other than salaries & benefits) to the total of such expenses, as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	30%	\$1,200
C	\$ 130,000	33%	\$1,320
E	\$ 150,000	37%	\$1,480
Total	\$ 400,000	100%	\$4,000

Example 4

Expense Amount = \$8,000

Costs that benefit **all** programs will be allocated based on a ratio of each program’s salaries to total salaries as follows:

Grant	Program Expenses	%	Amount Allocated
A	\$ 120,000	18%	\$1,440
B	\$ 110,000	17%	\$1,360
C	\$ 130,000	20%	\$1,600
D	\$ 140,000	22%	\$1,760
E	\$ 150,000	23%	\$1,840
Total	\$650,000	100%	\$8,000

Example 5

Facilities Expense Amount = \$10,000

Facilities costs are allocated based on square footage. Square footage for each program and general and administrative activity is considered in the analysis. General and administrative facilities costs are further allocated to each program based on the square footage of each grant program to the total square footage of all grant programs. The calculation is as follows:

Grant	Square Footage	%	Amount Allocated	G&A Allocated	Total Amount Allocated
A	300	30%	\$ 3,000	\$ 340	\$ 3,340
B	100	10%	\$ 1,000	\$ 110	\$ 1,110
C	200	20%	\$ 2,000	\$ 220	\$ 2,220
D	200	20%	\$ 2,000	\$ 220	\$ 2,220
E	100	10%	\$ 1,000	\$ 110	\$ 1,110
G&A	100	10%	\$ 1,000	0	0
Total	1,000	100%	\$10,000	\$1,000	\$10,000

Appendix B

Sample Indirect Cost Proposal

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

A. INTRODUCTION

Name of Organization (nonprofit) is a nonprofit located in Anytown, USA. The nonprofit administers a variety of programs funded by Federal, State, and Local agencies. These programs include Community Service programs, Head Start programs, State Weatherization, and Food Service programs. This example assumes a June 30 year end. Nonprofits can have different year ends and should use the year end of their nonprofit when preparing indirect cost proposals.

B. COST ALLOCATION METHODOLOGY

This proposal is for an indirect cost rate based on the nonprofits actual costs for its fiscal year beginning July 1, 200X and ending June 30, 200X. The proposal is based on the nonprofit organization's audit report (Statement of Functional Expense Statement) for the year ended June 30, 200X.

This proposal addresses all elements of cost incurred by "Name of Organization" and identifies shared costs that require allocation.

The nonprofit treats all costs as direct costs except general administration and general expenses. Joint costs are prorated individually as direct costs to each category and to each award using a base most appropriate to the particular cost being prorated. Therefore, the direct allocation method has been used in allocating indirect costs.

C. DIRECT COSTS

Direct costs are costs that can be identified specifically with a project and therefore are charged to that project. The accounting system records these costs as they are incurred within the series of accounts assigned for that purpose and further distribution is not required.

D. INDIRECT COSTS

Indirect costs are costs incurred for common or joint objectives and therefore cannot be readily and specifically identified with a particular project or activity. These costs are grouped into common pool(s) and distributed to benefiting activities by a cost allocation process.

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

E. COST POOL AND BASE FOR DISTRIBUTION

The nonprofit has created an Administrative Services Pool consisting of salaries, fringe benefits, and non-salary costs. The Administrative Services Pool is charged with all the indirect costs as defined above. The pool is distributed to the various program activities on the basis of direct salaries, including vacation, holiday, and sick pay but excluding other fringe benefits expended on those activities.

Volunteers for the Head Start program are included in the direct salaries total.

The total direct salaries and wages on which this proposal is based is \$1,111,343 which includes \$99,230 of volunteer salaries and wages for the Head Start program.

Volunteers involved in any direct activity of the organization should be included in the direct salaries base assuming they meet the requirements outlined in Circular A-122.

Circular A-122 can be found at: www.whitehouse.gov/omb/circulars/index.html

F. SUPPORTING FINANCIAL STATEMENTS

The Schedule of Total Expenditures (Schedule C) contained in this proposal is assumed to agree to the nonprofits audit report Statement of Functional Expenses.

- Audit report, Statement of Functional Expenses: \$2,632,449
- Indirect Cost Proposal: \$2,632,449

NOTE: Nonprofit must include a complete copy of the audited financial statements with their proposal submission.

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

G. SALARIES

Listed below are the positions, functions, and budgeted annual salaries for the people who comprise the Administrative Services Pool. These positions are charged 100% to Administrative Services.

<u>Position</u>	<u>Function</u>	<u>Salary</u>
Executive Director	General Management	\$48,754
Deputy Director	General Management	\$30,664
Administrative Assistant to Executive Director	General Management	\$21,566
Administrative Secretary / Personnel Officer	Clerical support to the Executive Director and Administrative Assistant Responsible for personnel information	\$17,087
Finance Officer	Accounting and related activities	\$26,484
Bookkeeper	Accounting	\$20,797
Bookkeeper	Accounting	\$17,215
Bookkeeper / Payroll Clerk	Payroll accounting and general disbursements	\$16,560
Custodian	Cleaning	\$2,936
Receptionist	Switchboard / Clerical	\$14,232

	Total Administrative Services Pool Salaries:	\$216,295
		=====

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

H. FRINGE BENEFITS

Fringe benefits associated with the positions within the Administrative Services Pool are as follows:

Payroll taxes:		
FICA (actual paid)	\$16,546	
State Unemployment (actual paid)	<u>\$1,145</u>	\$17,691
Health and Life Insurance (actual paid)		\$22,474
Retirement Plan (actual paid)		<u>\$3,050</u>

TOTAL		<u><u>\$43,215</u></u>

The nonprofits fringe benefit policies should be included with proposal submission.

I. NON-SALARY COSTS

Each category on non-salary expenditures has been analyzed based on the facts, and Schedule B shows the allocation between the Direct and Administrative Services Pool. Total non-salary direct costs excluding indirect cost reimbursements are \$984,656 of which direct is \$861,966 and indirect is \$122,690.

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

J. COMPUTATION OF BASE AND POOL COSTS

Schedule A (attached) shows the computation of the indirect cost rate for the year ended June 30, 200X. A summary of the rate calculation follows:

Direct Costs (Base - Salaries and Wages):

Community Service	\$140,831
Head Start	\$950,615
Weatherization	\$18,305
Memberships and Fundraising	\$1,592

Total Direct Salaries:	\$1,111,343
	=====

Indirect Costs (Pool):

Administrative Services Salaries	\$216,295
Administrative Services Fringe Benefits	\$43,215
Administrative Services Non-salary costs	\$122,690

Total Administrative Services:	\$382,200
	=====

K. RATE

Adjusted indirect costs (above - pool):	\$382,200	
	-----	34.4%
Total direct salaries (above - base):	\$1,111,343	

L. FUNDING OF RATE

When the above rate is applied to the direct salaries paid from the State Department of Human Resource funds (Community Services Block Grant) and funds from the U.S. Department of Health and Human Services (Head Start Grant), the eligible reimbursement is \$374,365 (\$140,831 + \$950,615 = \$1,091,446 x 34.4% = \$374,365). However, the allowable budgeted funding for indirect costs was significantly less than the eligible reimbursement. The Department of Energy programs and other local funds will have to absorb their fair share of the difference, within their funding limitations. The nonprofit can apply to outside sources to absorb any difference in indirect costs paid by other programs.

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

SCHEDULE A

Functional Groupings:

Direct Costs (Base - Salaries and Wages):	<u>Total Salaries</u>
Community Services	\$140,831
Head Start	
Salaries	\$851,385
Volunteers	<u>\$99,230</u>
	\$950,615
Weatherization	\$18,305
Memberships and Fundraising	\$1,592

Total Direct Salaries:	<u>\$1,111,343</u>
	=====

Indirect Costs (Pool):

Labor Costs	\$259,510
Non-Labor Costs	\$122,690

Adjusted Administrative Services Pool:	<u>\$382,200</u>
	=====

RATE

Adjusted indirect costs (above - pool):	\$382,200	
	-----	34.4%
Total direct salaries (above - base):	\$1,111,343	

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

SCHEDULE B

<u>Elements of Cost</u>	<u>Methodology of Allocation</u>
Contractual Services	Actual usage.
Depreciation / Use Allowance	Indirect cost.
Emergency assistance payments	Direct cost.
Equipment rental and maintenance	Rental and maintenance on equipment used in central office finance office.
Equipment / Capital	Purchasing of office furniture for use in performing administrative services.
Equipment / Minor	Actual usage.
Food costs	Direct cost.
Insurance	Actual usage.
Occupancy	Central office repairs and utilities on basis of square footage used for administrative services.
Office supplies	Office and janitorial supplies for administrative and program services.
Other expenses	Based on administrative services actual use.

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

SCHEDULE B (continued)

<u>Elements of Cost</u>	<u>Methodology of Allocation</u>
Postage	Actual usage.
Professional fees	Accounting and audit services, payroll processing services, charged on work performed for administrative services.
Program supplies	Programs are charged to project as costs are incurred. Costs are direct costs.
Printing	Actual usage.
Renovations and improvements	Direct cost.
Telephone	Basic services allocated on number of instruments, toll calls charged on basis of logs of such calls for administrative services.
Travel	Charged based on actual administrative and program use of vehicles. Costs include mileage, transportation, per diem, gas, oil, repairs, and insurance on vehicles.

The methodologies used in this example are not recommended methodologies. They are used for purposes of example only. Allocation of costs should be accomplished on a cost benefit basis. This cost benefit can be different from one nonprofit to the next.

Schedule C

(A) ELEMENTS OF COSTS	(B) FINANCIAL STATEMENT	(C) ADJUSTMENTS	-----DIRECT PROGRAMS and ACTIVITIES-----				(H) TOTAL DIRECT COSTS	(I) INDIRECT COSTS
			(D) COMMUNITY SERVICE	(E) HEAD START	(F) WEATHERIZATION	(G) MEMBERSHIP & FUND RAISING		
Salaries and wages	\$1,327,638	a \$0	\$140,831	\$950,615	\$18,305	\$1,592	\$1,111,343 (1)	\$216,295
Fringe benefits	\$245,434	\$0	\$28,138	\$170,107	\$3,657	\$317	\$202,219	\$43,215
Subtotal labor	\$1,573,072	\$0	\$168,969	\$1,120,722	\$21,962	\$1,909	\$1,313,562 (2)	\$259,510
Contractual Services	\$245,420	\$0	\$3,493	\$207,770	\$34,157	\$0	\$245,420	\$0
Depreciation/Use allowance	\$41,582	\$0	\$0	\$0	\$0	\$0	\$0	\$41,582
Emergency asst. payments	\$72,859	\$0	\$52,809	\$0	\$20,050	\$0	\$72,859	\$0
Equipment rental and maint.	\$11,448	\$0	\$592	\$5,197	\$0	\$281	\$6,070	\$5,378
Equipment / Capital	\$58,215	(\$58,215) b	\$0	\$0	\$0	\$0	\$0	\$0
Equipment / Minor	\$546	\$0	\$0	\$0	\$546	\$0	\$546	\$0
Food costs	\$124,616	\$0	\$0	\$124,616	\$0	\$0	\$124,616	\$0
Insurance	\$12,554	\$0	\$92	\$8,209	\$85	\$373	\$8,759	\$3,795
Occupancy	\$129,314	\$0	\$24,637	\$100,956	\$459	\$233	\$126,285	\$3,029
Office supplies	\$32,540	\$0	\$1,794	\$13,317	\$3,649	\$842	\$19,602	\$12,938
Other expenses	\$36	(\$36) c	\$0	\$0	\$0	\$0	\$0	\$0
Postage	\$3,901	\$0	\$476	\$301	\$125	\$2,467	\$3,369	\$532
Professional fees	\$34,211	\$0	\$0	\$0	\$0	\$0	\$0	\$34,211
Program supplies	\$109,663	\$0	\$7,603	\$55,241	\$40,659	\$6,160	\$109,663	\$0
Printing	\$65,697	\$0	\$5,140	\$7,022	\$1,345	\$44,838	\$58,345	\$7,352
Renovations and improv.	\$16,470	(\$16,470) d	\$0	\$0	\$0	\$0	\$0	\$0
Telephone	\$29,013	\$0	\$5,788	\$13,331	\$349	\$600	\$20,068	\$8,945
Travel	\$71,292	\$0	\$7,298	\$56,553	\$2,513	\$0	\$66,364	\$4,928
Subtotal non-labor	\$1,059,377	(\$74,721)	\$109,722	\$592,513	\$103,937	\$55,794	\$861,966	\$122,690
TOTAL	\$2,632,449	(\$74,721)	\$278,691	\$1,713,235	\$125,899	\$57,703	\$2,175,528 (3)	\$382,200

Calculation of the Rate

(1) If the nonprofit organization uses Direct Salaries & Wages excluding fringe benefits as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (Direct S\&W)} &= \$1,111,343 = 34.4\% \end{aligned}$$

(2) If the nonprofit organization uses Direct Salaries & Wages including fringe benefits as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (Direct S\&W + FB)} &= \$1,313,562 = 29.1\% \end{aligned}$$

(3) If the nonprofit organization uses Modified Total Direct Costs (MTDC) as their Base their rate would calculate as follows:

$$\begin{aligned} \text{Indirect costs} &= \$382,200 \\ \text{Base (MTDC)} &= \$2,175,528 = 17.6\% \end{aligned}$$

Explanation of Adjustments

- a) Includes salaries and wages of \$99,230 for volunteers of the Head Start program.
- b) Excludes capital equipment purchases.
- c) Remove unallowable costs - \$22 Interest + \$14 Bad Debt = \$36.
- d) Excludes capital renovations and improvements.

General Notes

- This is a sample proposal only. It is not intended to prescribe a particular method for allocating costs. An organization should choose the Base that they feel will most accurately reflect the true allocation of their indirect costs to each program.
- An organization can use any ONE of the three bases shown. Regardless of what Base (1,2 or 3) is chosen the total indirect costs (\$382,200) do not change. The only thing that changes is the distribution Base.

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

1. The Indirect Cost Proposal is supported by: (Include a copy of this document with proposal.)

Audited financial statements. If not available include one of the following documents:

Federal Form 990

Internal Financial Statements

Other _____

2. A reconciliation of item 1. (above) to the Indirect Cost proposal has been made and is included in this proposal.
3. Unallowable expenses have been eliminated from the indirect cost pool (e.g., donated or contributed salaries and services, bad debts, fund raising, advertising, Independent research and development (IR&D), depreciation of Federally funded assets and lobbying costs, etc.).
4. The direct cost base is complete (i.e., it includes all activities that benefit from the indirect cost pool). For example, fund raising, IR&D, project cost sharing, voluntary (e.g., donated or contributed labor and services are included where applicable).
5. A functional analysis of salaries and wages included in the indirect cost pool. If any function is less than 100% show the percent.
6. Treatment of Paid Absences and Fringe Benefits statements have not changed since the last indirect cost rate agreement.
7. We have not made any significant changes, during the proposal fiscal year, (i) to our accounting system, or (ii) to the definition or to the accounting treatment of any expense category (e.g., a change in building/equipment costing methodology, a change in charging an expenses from direct to indirect or visa versa).
8. We have not changed the equipment capitalization threshold during the proposal fiscal year. The capitalization level is \$ _____. If there is a change made during the proposal fiscal year, indicate the effective date of the change and the new capitalization level.
9. The required "Lobbying Cost Certificate" is attached.

Please explain any boxes not checked on a seperate sheet.

Signature

Date

Title

Organization

SAMPLE INDIRECT COST PROPOSAL FORMAT FOR NONPROFIT ORGANIZATIONS

LOBBYING COST CERTIFICATE

I hereby certify that the _____
(name of organization)
has complied with the requirements and standards on lobbying costs in OMB Circular
A-122 for the fiscal year ended _____
(fiscal year covered by indirect cost proposal)

Signature

Name

Title

Date

(Signed by the official having the authority to negotiate
indirect cost rates for the organization or by a higher
level official)

**Note: The above certification is a requirement of OMB Circular A-122.
We will not be able to process your indirect cost proposal without this certification.**

Appendix C, Part I
Illustrations of the Cost Allocation
Approaches

Appendix C, Part I

Annual Operating Budget

Illustrations of the Cost Allocation Approaches

Overview of the Exhibits:

This Appendix illustrates some of the many approaches to cost allocation used by CAAs. They are not intended to take the place of the standard format for submitting a proposal for a federally negotiated indirect cost rate which is included in Appendix C, Part II. Instead, these samples illustrate key concepts about the use of indirect cost pools and strategies for deal with arbitrary limitations on indirect and/or administrative costs that may be imposed by various funding agreements.

In these Exhibits the term “indirect” cost is used to describe costs which provide benefits to multiple cost centers including both program and administrative cost centers. For purposes of clearer illustration, the Exhibits use a separate cost center for administrative costs. The Exhibits illustrate the impact of either combining the administrative and other indirect cost centers or using separate cost centers to collect them.

The Exhibits illustrate the calculation of the “effective indirect cost rate” which represents the relationship between the “indirect” but not “administrative” costs and all other costs (both program and administrative). The Exhibits also include calculation of the “administrative rate” which presents the administrative costs as a percentage of all costs. There are other methods to compute both the effective indirect cost rate and the administrative cost rate. To conserve space, the Exhibits do not include a fund raising cost center which will be used by most CAAs in their actual cost allocation structures.

The Exhibits are designed to illustrate the impact of different approaches to defining and dealing with indirect or common costs, including strategies to deal with funder limitations on indirect costs and distribution of indirect costs among multiple funding sources supporting one program.

Exhibits 1, 2, and 3:

Exhibits 1, 2 and 3 illustrate three distinct organizations – A, B, and C. While each of the three organizations has 3 distinct programs and an administrative cost center, there approach to treatment of indirect costs other than administration is different. Organizations A and B (Exhibits 1 and 2), use a separate cost center to display non-administrative indirect costs by line item and then allocate a share of the total indirect costs to each of the programs and to the administrative cost center. In contrast,

Organization C (Exhibit 3) does not display indirect costs in a separate indirect cost center. Instead, organization C allocates its indirect costs on a line item by line item basis, increasing the costs shown in all three programs and the administrative cost center while avoiding displaying any line item for allocated indirect costs. The approach used by Organization C would be typical of an organization that chose to allocate shared/indirect costs on a transaction by transaction basis rather than collecting them into an indirect cost pool or cost center.

Note that the indirect cost rates shown at the top of the three Exhibits are dramatically different. Organization A computes an indirect cost rate of 6.6%, while Organization B computes an indirect rate of 65.8% and Organization C reports an indirect rate of 0%. The contrasts in indirect cost rate result from different methodologies (the transaction by transaction allocation of indirect costs used by Organization C in contrast to the allocation of an indirect pool by Organizations A and B) and by different fact patterns or interpretations of fact patterns regarding costs which are considered indirect (Organizations A and B). In fact, allow A and B may operate with very similar realities, B may have chosen to treat more costs as shared or indirect than A. For Exhibit, B may have installed an electronic utilization program on its copiers so that costs of copying can be directly attributed to specific program and administrative cost centers while A may have chosen not to do cost center tracking of copies and to include copier costs in the indirect pool. Presumably all of these choices have been made to facilitate cost effective operation and none are evidence of either waste/extravagance or exemplary thrift.

Exhibits 1, 2, and 3 ultimately illustrate the need to think carefully about both the most efficient way to track and allocate costs in your system and the impact that your choices will have on the resulting indirect cost rate.

Exhibit 4:

Exhibit 4 illustrates the consequence of yet another choice. In Exhibit 4, Organization A chooses to combine the information shown in the Admin and Indirect columns in Exhibit 1 into a single column which is labeled "Indirect/Admin". While the computed indirect cost rate remains 6.6%, the visual impact is striking. Most casual readers will conclude erroneously that Organization A has administrative costs equaling \$47,436. In fact, the combined total of the admin and indirect cost centers would be described as "indirect" costs in a proposal for a federal indirect cost rate prepared under the Simplified Allocation method (see Exhibit 9). The confusing use of the terms indirect and administrative is discussed in the *Annual Operating Budget* section of the Toolkit and represents yet another challenge to be addressed in designing your cost allocation model.

Exhibit 5:

Exhibit 5 illustrates the impact of computing the fully loaded cost of each of Organization A's programs. In this approach, A allocates both the indirect cost pool and the total of the admin cost center to the three programs. The fully loaded cost model approach allows Organization A to determine and present the full cost of delivering each of its three services. It is a particularly useful tool for negotiating fee for service contracts and evaluating pricing decisions.

The fully loaded cost model may also provide valuable insight for the preparation of program specific funding proposals. Unless Organization A has unlimited unrestricted resources to meet its admin and indirect costs, it will need to communicate the full cost of delivering each of service to its funders, including a fair share of the admin and indirect costs which are necessary to ensure the sound management of the program and the availability of basic tools such as heat and light which are required to provide any service.

Exhibit 6:

Not all organizations would agree with the premise that underlies the analysis presented in Exhibit 5, the fully loaded cost model. Some would argue that not all administrative costs are incurred in order to provide the administrative support required to operate programs. Proponents of this view

believe that some administrative costs are incurred in order to sustain the organization as a viable entity and would be incurred whether any programs were in place. From this point of view, only a portion of the administrative costs can be legitimately allocated to the programs.

Exhibit 7:

Exhibit 7 illustrates the impact of a funder imposing a cap on the indirect cost rate, refusing to allow its funds to be used for indirect costs that exceed 5% of the direct costs associated with the program the award supports. While the example illustrates a cap on indirect costs, the issues involved would be the same for a cap on admin costs.

OMB A-122 cost allocation principles require that all shared or common costs be allocated fairly among cost objectives or cost centers. Organization A has used program cost centers as its cost objectives. Consequently, each program must be allocated its fair share of allocated costs. In Exhibit 7, A is allocating its indirect costs by applying its indirect cost rate of 6.6% (illustrated earlier in Exhibit 1) to the direct costs of each of its 3 programs. The result of that fair allocation, as shown on Exhibit 1, is that Program A would be allocated \$2112 in indirect costs, and Programs B and C would be allocated \$2667 and 3084 respectively.

However, in Exhibit 7, Organization A is dealing with the reality that the funder of Program A has established a 5 % cap on indirect costs which will limit the amount of indirect costs which may be charged to the funder's award to \$1593 ($\$31,869 \times .05$). Consequently, the amount which may be charged to the funder of Program A will total \$33464, the total of the direct costs (31,869) and the allowable portion of the fair indirect cost allocation (1,593).

Exhibit 7 illustrates that despite this funder cap on indirect costs, Organization A must allocate the fair share of indirect cost to Program A and demonstrate that it has other funds available to pay the \$519 in indirect costs which the funder has refused to pay. OMB A-122 explicitly prohibits Organization A from using the availability of funds as a basis for cost allocation. Consequently, A cannot limit the share of indirect costs allocated to Program A to an unfair share simply because of a funder limitation.

Exhibit 8:

Exhibit 8 illustrates the use of multiple indirect cost pools, generally in larger, more complex CAAs. Multiple pools are utilized when different types of indirect cost can be most fairly allocated through the use of different methodologies. For example, in Exhibit 8, the costs in Indirect Cost Pool 1 are allocated by the percentage of direct salaries and wages in each cost center. Cost Pool 2 is allocated based upon the distribution of FTE (full time equivalent positions) among the costs centers. Cost Pool 3 is allocated based upon the percentage of square footage utilized by each cost center. The rationale for each of these allocation methods, as well as the definition of costs to be included in each cost pool, must be included in the organization's cost allocation plan.

Exhibit 9:

Exhibit 9 takes a deeper look at the sub-components of Organization A's Program A which has been illustrated in the earlier exhibits. The total column in Exhibit 9 is identical to the line item costs of Program A presented in Exhibit 1, including the line item for Allocation of Indirect Cost which represents the fair share of indirect costs allocated to Program A by applying the indirect cost rate of 6.6% to the direct costs of each of the three program cost centers and the admin cost center.

Three distinct sources of funds are supporting Program A – a government grant, a private grant, and unrestricted general operating funding. As noted in the footnotes, both the government grant and the private grant have imposed limits on the types and amounts of costs that will be allowed. Consequently, Organization A has determined that it must cover a large portion of the indirect costs allocated to Program A (see Exhibit 1) with unrestricted general operating funds. The \$1763 in allocated indirect costs (1,763) assigned to the general operating funds column comprises nearly 8% of the direct costs (22,149) assigned to the general operating funds column. In contrast, portion of the allocated indirect costs assigned to the private grant (106) comprises less than 7% of the direct costs assigned to the private grant (1605), and the share of allocated indirect costs assigned to the government grant (203) comprises less than 3 % of the direct costs assigned to the government grant.

This distribution is compliant with A-122 because Organization A has chosen to use Programs as cost objectives and has demonstrated in Exhibit 1 that it has fairly allocated the indirect costs to all of its cost objectives (cost centers). So, Organization A is free to distribute the costs assigned to Program A among the various sub-cost centers of Program A in a manner that works with funder limitations.

Appendix C, Part II

Illustrations of the Cost Allocation Approaches

*These exhibits were reprinted with permission from Gary McGee, CPA, managing partner at Gary McGee & Co. LLP, Certified Public Accountants
808 S.W. Third Avenue, Suite 700, Portland, Oregon 97204*

Exhibit 1

Organization A - Indirect cost rate of 6.6%

	TOTAL EXPENSES					
	Programs			Admin	Indirect	Total
	A	B	C			
Expenses:						
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits	2,792	2,925	3,502	2,784	772	12,775
Materials & supplies	5,200	8,900	3,581	1,124	0	18,805
Postage & shipping	605	987	4,251	895	2,088	8,826
Printing & publications	1,000	1,355	756	201	50	3,362
Telephone	756	1,222	1,336	2,285	2,263	7,862
Occupancy	2,219	4,590	9,675	11,116	0	27,600
Depreciation	684	758	95	151	0	1,688
Total direct expenses	31,869	40,237	46,543	37,113	10,323	166,085
Allocation of indirect costs	2,112	2,667	3,084	2,460	(10,323)	0
	\$ 33,981	42,904	49,627	39,573	0	166,085

1. The effective indirect cost rate = 6.6% [$\$10,323/(\$166,085 - \$10,323)$]
2. The administrative rate = 23.8% [$\$39,573/\$166,085$]
3. Indirect costs are allocated by applying indirect cost rate (6.6%) to each cost center's total direct expenses
[e.g., Program A: $6.6\% \times \$31,869 = \$2,112$]

Exhibit 2

Organization B - Indirect cost rate of 65.8%

	TOTAL EXPENSES					Total
	Programs			Admin	Indirect	
	A	B	C			
Expenses:						
Salaries & wages	\$ 12,500	14,950	19,635	15,400	22,682	85,167
Employee benefits	1,875	2,243	2,945	2,310	3,402	12,775
Materials & supplies	3,300	6,000	895	1,400	7,210	18,805
Postage & shipping	500	1,035	3,675	1,682	1,934	8,826
Printing & publications	950	1,184	642	120	466	3,362
Telephone	1,672	1,724	1,126	2,418	922	7,862
Occupancy	0	0	0	0	27,600	27,600
Depreciation	0	0	0	0	1,688	1,688
Total direct expenses	20,797	27,136	28,918	23,330	65,904	166,085
Allocation of indirect costs	13,184	15,768	20,709	16,243	(65,904)	0
	\$ 33,981	42,904	49,627	39,573	0	166,085

1. The effective indirect cost rate = 65.8% [$\$65,904 / (\$166,085 - \$65,904)$]

2. The administrative rate = 23.8% [$\$39,573 / \$166,085$]

3. Indirect costs are allocated based on each cost center's direct salaries & wages as a percentage of total direct salaries and wages

Exhibit 3

Organization C - Indirect cost rate of 0%

	TOTAL EXPENSES					
	Programs		C	Admin	Indirect	Total
	A	B				
Expenses:						
Salaries & wages	\$ 19,255	21,621	25,388	18,903	--	85,167
Employee benefits	2,881	3,050	3,727	3,117	--	12,775
Materials & supplies	5,200	8,900	3,581	1,124	--	18,805
Postage & shipping	923	1,612	4,541	1,750	--	8,826
Printing & publications	1,025	1,380	800	157	--	3,362
Telephone	1,290	1,417	2,244	2,911	--	7,862
Occupancy	3,219	4,590	8,675	11,116	--	27,600
Depreciation	188	334	671	495	--	1,688
Total direct expenses	33,981	42,904	49,627	39,573	--	166,085
Allocation of indirect costs	--	--	--	--	--	--
	\$ 33,981	42,904	49,627	39,573	--	166,085

1. The indirect cost rate = 0%. No indirect allocation mechanism is used; all expenses are charged directly

2. The administrative rate = 23.8% [\$39,573/\$166,085]

Exhibit 4

Organization A - Indirect cost rate of 6.6%; administrative and indirect costs combined

	TOTAL EXPENSES				
	Direct			Indirect	
	Programs	B	C	Admin	Total
Expenses:	A				
Salaries & wages	\$ 18,613	19,500	23,347	23,707	85,167
Employee benefits	2,792	2,925	3,502	3,556	12,775
Materials & supplies	5,200	8,900	3,581	1,124	18,805
Postage & shipping	605	987	4,251	2,983	8,826
Printing & publications	1,000	1,355	756	251	3,362
Telephone	756	1,222	1,336	4,548	7,862
Occupancy	2,219	4,590	9,675	11,116	27,600
Depreciation	684	758	95	151	1,688
Total direct expenses	31,869	40,237	46,543	47,436	166,085
Allocation of indirect costs	2,112	2,667	3,084	(7,863)	0
	\$ 33,981	42,904	49,627	39,573	166,085

1. The effective indirect cost rate = 6.6% [\$(10,323)/(\$166,085 - \$10,323)]
2. The administrative rate = 23.8% [\$39,573/\$166,085]
3. Indirect costs are allocated by applying indirect cost rate (6.6%) to each cost center's total direct expenses

Exhibit 5

Organization A - "Fully loaded" cost model

	TOTAL EXPENSES					
	Direct			Admin	Indirect	Total
	Programs					
	A	B	C			
Expenses:						
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits	2,792	2,925	3,502	2,784	772	12,775
Materials & supplies	5,200	8,900	3,581	1,124	0	18,805
Postage & shipping	605	987	4,251	895	2,088	8,826
Printing & publications	1,000	1,355	756	201	50	3,362
Telephone	756	1,222	1,336	2,285	2,263	7,862
Occupancy	2,219	4,590	9,675	11,116	0	27,600
Depreciation	684	758	95	151	0	1,688
Total direct expenses	31,869	40,237	46,543	37,113	10,323	166,085
Allocation of indirect costs	2,112	2,667	3,084	2,460	(10,323)	0
Total direct & indirect costs	33,981	42,904	49,627	39,573	0	166,085
Allocation of admin costs	10,629	13,420	15,524	(39,573)	0	0
	\$ 44,610	56,324	65,151	0	0	166,085

1. The effective indirect cost rate = 6.6% [$\$10,323/(\$166,085 - \$10,323)$]

2. The administrative rate = 23.8% [$\$39,573/(\$166,085)$]

3. Indirect costs are allocated by applying rate (6.6%) to each cost center's total direct expenses
[e.g., Program A: $6.6\% \times \$31,869 = \$2,112$]

4. Administrative costs are allocated based on pro rata distribution of total direct & indirect costs of each program
[e.g., Program A: $\$33,981 \times (\$39,573/(\$166,085 - \$39,573)) = \$10,629$]

Exhibit 6

Organization A - Adjustment of fully loaded model for GAAP purposes

	TOTAL EXPENSES					
	Programs			Admin	Indirect	Total
	A	B	C			
Expenses:						
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits	2,792	2,925	3,502	2,784	772	12,775
Materials & supplies	5,200	8,900	3,581	1,124	0	18,805
Postage & shipping	605	987	4,251	895	2,088	8,826
Printing & publications	1,000	1,355	756	201	50	3,362
Telephone	756	1,222	1,336	2,285	2,263	7,862
Occupancy	2,219	4,590	9,675	11,116	0	27,600
Depreciation	684	758	95	151	0	1,688
Total direct expenses	31,869	40,237	46,543	37,113	10,323	166,085
Allocation of certain administrative costs	3,223	4,070	4,707	(12,000)	0	0
	35,092	44,307	51,250	25,113	10,323	166,085
Allocation of indirect costs	2,326	2,936	3,397	1,664	-10,323	0
	\$ 37,418	47,243	54,647	26,777	0	166,085

1. The effective indirect cost rate = 6.6% [$\$10,323/(\$166,085 - \$10,323)$]
2. \$12,000 of administrative costs are allocated to programs based on total direct expenses [e.g., $\$31,869 \times (\$12,000/(\$31,869 + \$46,543)) = \$3,223$]
3. Indirect costs are allocated by applying rate (6.6%) to each cost center's total direct expenses after the allocation of selected administrative costs [e.g., Program A: $6.6\% \times \$35,092 = \$2,326$]

Exhibit 7

Organization A - 5% cap on indirect costs that can be charged to Program A

	TOTAL EXPENSES					
	Programs			Admin	Indirect	Total
	A	B	C			
Expenses:						
Salaries & wages	\$ 18,613	19,500	23,347	18,557	5,150	85,167
Employee benefits	2,792	2,925	3,502	2,784	772	12,775
Materials & supplies	5,200	8,900	3,581	1,124	0	18,805
Postage & shipping	605	987	4,251	895	2,088	8,826
Printing & publications	1,000	1,355	756	201	50	3,362
Telephone	756	1,222	1,336	2,285	2,263	7,862
Occupancy	2,219	4,590	9,675	11,116	0	27,600
Depreciation	684	758	95	151	0	1,688
Total direct expenses	31,869	40,237	46,543	37,113	10,323	166,085
Allocation of 5% approved indirect cost cap	1,593	0	0	0	(1,593)	0
Total expenses of Program A reportable to contractor	33,462					
Allocation of Program A's 1.6% excess	519	0	0	0	(519)	0
Allocation of remaining indirect costs	0	2,667	3,084	2,460	(8,211)	0
	\$ 33,981	42,904	49,627	39,573	0	166,085

1. \$31,869 X 5% = \$1,593 = maximum indirect costs chargeable to Program A

2. Total indirect cost rate remains 6.6% [\$10,323/(\$166,085 - \$10,323)]

Exhibit 8

Organization B - Multiple cost pools

	TOTAL EXPENSES									
	Programs			Admin			Indirect cost pools			Total
	A	B	C				1	2	3	
Expenses:										
Salaries & wages	\$ 12,500	14,950	19,635	15,400	22,682	0	0	0	85,167	
Employee benefits	1,875	2,243	2,945	2,310	3,402	0	0	0	12,775	
Materials & supplies	3,300	6,000	895	1,400	7,210	0	0	0	18,805	
Postage & shipping	500	1,035	3,675	1,682	0	0	1,934	0	8,826	
Printing & publications	950	1,184	642	120	466	0	0	0	3,362	
Telephone	1,672	1,724	1,126	2,418	0	0	922	0	7,862	
Occupancy	0	0	0	0	12,589	15,011	0	0	27,600	
Depreciation	0	0	0	0	0	0	0	1,688	1,688	
Total direct expenses	20,797	27,136	28,918	23,330	46,349	17,867	1,688	166,085		
Allocation of indirect costs	9,272	11,089	14,565	11,423	(46,349)	0	0	0	0	
Allocation of indirect costs	6,497	3,249	4,872	3,249	0	(17,867)	0	0	0	
Allocation of indirect costs	359	467	718	144	0	0	(1,688)	0	0	
	\$ 36,925	41,941	49,073	38,146	0	0	0	0	166,085	
FTEs	2.0	1.0	1.5	1.0	0.0	0.0	0.0	0.0	5.5	
square footage utilized	500	650	1000	200	0	0	0	0	2350	

1. Indirect cost pool 1: costs allocated to programs based on direct salaries and wages
2. Indirect cost pool 2: costs allocated to programs based on FTE
3. Indirect cost pool 3: costs allocated to programs based on squared footage

Exhibit 9

Organization A - Program A by funding source with multiple caps and limitations

	PROGRAM A				Total
	Gov't grant	Private grant	General ops.		
Expenses:					
Salaries & wages	\$ 5,000	0	13,613	18,613	
Employee benefits	0	0	2,792	2,792	
Materials & supplies	2,600	0	2,600	5,200	
Postage & shipping	0	605	0	605	
Printing & publications	0	1,000	0	1,000	
Telephone	115	0	641	756	
Occupancy	400	0	1,819	2,219	
Depreciation	0	0	684	684	
Total direct expenses	8,115	1,605	22,149	31,869	
Allocation of indirect costs	243	106	1,763	2,112	
	\$ 8,358	1,711	23,912	33,981	

1. Government grant caps salaries at \$5,000, benefits and depreciation at 0, and indirect costs at 3%
2. Private grants pays only postage and shipping, and printing and publications, but accepts the 6.6% indirect cost rate

Appendix D

Template for Budget Preparation in Multi-Program/Multi-Source CAAs

Note:

Visit <http://www.terrymiller.biz/Downs.html> to download an Excel Spreadsheet template for a multi-program, multi-funding source comprehensive annual budget. To find the template, slide down the page until you see Budget Template in the right hand navigation column.

The template includes linked worksheets that allow users to build an annual budget from the ground up, beginning with identification and naming of cost centers, moving on to establishing cost allocation formulae for allocating shared costs, identifying direct costs of each program, and associating all income sources with the cost centers they will support.

The printed versions of the some of the template tabs are included to illustrate some of the key concepts in cost center based budgeting. However, the actual Excel template file will be more useful since it can be easily modified to address your specific needs.

The Budget Template is designed for organizations that do not have a federally negotiated indirect cost rate. With modifications, it could be used as the basis for submitting an indirect cost rate proposal. Please see Appendices B and C for more detailed formats for preparation of indirect cost rate proposals.

The Budget Template is maintained by Terry Miller, a nonprofit financial management consultant on his website www.terrymiller.biz where you will also find extremely useful information about other financial management issues of interest to nonprofit organizations.

Sample Organization		Draft 4.2c		Printed		03/08/11		9:43 AM				
Master Proposed Budget by Project & Function		Fiscal Year 2003 (7/1-6/30)		FY03 TOTAL		Programs		Functions				
	memo: FY 2002 thru 4/30	Proposed Budget	Prog A	Prog B	Prog C	Prog D	Prog E	Prog F	Prog G	Total Program	Fund Raising (& GenSupt Income)	Admin (Mgt & Gen)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
1	Income											
2	Foundation grants	62,034	251,000	-	101,000	50,000	-	-	-	151,000	100,000	-
3	Individual contributions	25,155	156,450	-	26,700	24,250	25,500	45,000	-	156,450	-	-
4	Corporate contributions	76,500	161,950	-	36,700	35,250	15,000	-	-	161,950	-	-
5	Government grants & contracts	135,000	264,000	-	3,500	55,000	15,000	-	-	264,000	-	-
6	Funds released from restriction	143,700	119,167	-	5,000	12,000	-	-	-	17,000	119,167	-
7	Events	5,412	17,000	-	-	-	-	-	-	-	-	-
8	Program Service Revenue	140	1,000	-	-	-	-	-	-	-	1,000	-
9	Investment Income	-	-	-	-	-	-	-	-	-	-	-
10	Total Income	447,941	970,567	-	315,500	172,900	176,500	40,500	45,000	750,400	220,167	-
11	Expense											
12	Personnel Expenses											
13	Payroll	241,666	270,712	-	70,621	59,304	39,923	14,768	32,460	229,525	24,102	17,085
14	Payroll tax & work comp	22,211	27,244	-	7,107	5,968	4,018	1,486	3,267	23,099	2,426	1,719
15	Benefits	15,392	34,292	-	8,946	7,512	5,057	1,871	4,112	29,075	3,053	2,164
16	Personnel Expenses	279,269	332,248	-	86,674	72,784	48,998	18,125	39,839	281,699	29,581	20,968
17	Program-specific Expenses											
18	Travel & meetings	4,116	14,600	-	300	5,000	2,500	1,500	1,500	10,800	3,800	-
19	Dues, subs & pubs	87	112	-	-	-	-	-	112	112	-	-
20	Website devp & maint	500	101,351	-	57,351	25,000	4,000	-	-	101,351	-	-
21	Policy research	17,383	44,000	-	-	-	24,000	-	20,000	44,000	-	-
22	Legal analysis	-	-	-	-	-	-	-	-	-	-	-
23	Financial analysis	-	8,250	-	8,250	-	-	-	-	8,250	-	-
24	Market analysis	-	46,800	-	44,300	2,500	-	-	-	46,800	-	-
25	Communication counsel	8,383	20,000	-	18,500	-	-	1,500	-	20,000	-	-
26	Publications & media	844	74,310	-	-	11,000	56,310	-	-	74,310	-	-
27	Events	6,042	1,880	-	-	-	-	-	7,000	-	-	1,880
28	Board expenses	329	33,500	-	-	-	-	-	-	-	-	-
29	Fundraising services	29,851	33,500	-	-	-	-	-	-	-	-	-
30	Program-specific Expenses	67,534	344,803	-	128,701	43,500	86,810	3,000	21,500	305,623	37,300	1,880
31	Shared Operating Expenses											
32	Occupancy	26,238	30,160	-	7,434	6,700	4,833	1,672	3,814	25,609	2,893	1,659
33	Office expenses	8,392	12,150	-	2,995	2,699	1,947	674	1,537	10,317	1,165	668
34	Postage & delivery	2,965	3,300	-	813	733	529	183	417	2,802	316	181
35	Phone & internet	6,399	5,304	-	1,307	1,178	850	294	671	4,504	509	292
36	Copying & printing	4,395	6,500	-	1,602	1,444	1,041	360	822	5,519	623	357
37	Equipment lease & rent	5,441	7,395	-	1,823	1,643	1,185	410	935	6,279	709	407
38	Repairs & maintenance	1,466	2,000	-	493	444	320	111	253	1,698	192	110
39	Insurance	781	3,950	-	493	444	320	111	253	1,698	192	110
40	Professional/outside services	12,630	24,850	-	2,896	2,610	1,883	652	1,486	9,977	1,127	2,060
41	Staff devp & training	4,879	5,000	-	1,232	1,111	801	277	632	4,245	480	275
42	Taxes & licenses	135	150	-	-	-	-	-	-	-	-	150
43	Bank charges	242	350	-	-	-	-	-	-	-	-	350
44	Miscellaneous expense	(1)	(1)	-	-	-	-	-	-	-	-	-
45	Capital purchases-furn & equip	12,182	10,174	-	-	-	-	-	-	-	-	10,174
46	Shared Operating Expenses	86,143	111,283	-	21,089	19,007	13,709	4,744	10,820	72,648	8,206	30,430
47	Total Expenses by Function	432,947	788,334	-	236,464	135,291	149,517	25,869	72,159	659,970	75,087	53,278
48	Net Income	14,995	182,233	-	79,036	37,609	26,983	14,631	(27,159)	(40,669)	90,430	(53,278)
49												
50												
51												
52												
53												
54												

Sample Organization
 Budget Worksheet - Cost Center and Line Names
 Fiscal Year 2003 (7/1-6/30)

Draft 4.2c

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COST CENTERS

LINE ITEMS	Prog A	Prog B	Prog C	Prog D	Prog E	Prog F	Prog G	Fund Raising (& GensSupt Income) (Mgt & Gen) Admin
Income								
Foundation grants								
Individual contributions								
Corporate contributions								
Government grants & contracts								
Funds released from restriction								
Events								
Program Service Revenue								
Investment Income								
Total Income								
Expense								
Personnel Expenses								
Payroll								
Payroll tax & work comp								
Benefits								
Personnel Expenses								
Program-specific Expenses								
Travel & meetings								
Dues, subs & pubs								
Website devp & maint								
Policy research								
Legal analysis								
Financial analysis								
Market analysis								
Communication counsel								
Publications & media								
Events								
Board expenses								
Fundraising services								
Project-specific Expenses								
Shared Operating Expenses								
Occupancy								
Office expenses								
Postage & delivery								
Phone & internet								
Copying & printing								
Equipment lease & rent								
Repairs & maintenance								
Insurance								
Professional/outside services								
Staff devp & training								
Taxes & licenses								
Bank charges								
Miscellaneous expense								
Capital purchases-furn & equip								
Shared Operating Expenses								
Total Expenses by Function								
Net Income								

This is the schedule where we change names, version numbers, etc.

Please DO NOT change names without communicating closely with whoever is doing the accounting - important to talk it through from various perspectives and make sure the two use the same words.

Sample Organization			Draft 4.2c		Programs							Functions		error			
Fiscal Year 2003 (7/1-6/30)					Programs							Fund Raising (& Gensupt) Income	Admin (Mgt & Gen)				
Income Detail			FY03 TOTAL		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)		
GL Acct #	Line Item Definition / Planning	memo: FY 2002 thru 4/30			Prog A	Prog B	Prog C	Prog D	Prog E	Prog F	Prog G	Total Program					
4400	Government grants & contracts		135,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Federal Grant 1		140,500	140,500	-	-	-	-	-	-	-	140,500	-	-	-	-	-
	Federal Award 2		50,000	50,000	-	-	-	-	-	-	-	50,000	-	-	-	-	-
	Government awards to be identified		3,500	3,500	-	-	3,500	-	-	-	-	3,500	-	-	-	-	-
	State Family Agency		55,000	55,000	-	-	-	55,000	-	-	-	55,000	-	-	-	-	-
	Local Gov Contract		15,000	15,000	-	-	-	-	15,000	-	-	15,000	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Government grants & contracts		135,000	264,000	-	190,500	3,500	55,000	15,000	-	-	264,000	-	-	-	-	-
4690	Funds released from restriction		143,700	-	-	-	-	-	-	-	-	-	-	-	119,167	-	-
	Meyer Foundation Grant		119,167	119,167	-	-	-	-	-	-	-	119,167	-	-	-	-	-
	ABC Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	PPP Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	RRR Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XYZ Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	RST Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Funds released from restriction		143,700	119,167	-	-	-	-	-	-	-	-	-	119,167	-	-	-
4701	Events		5,412	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	October LtdDvP breakfast		3,500	3,500	-	-	3,500	-	-	-	-	3,500	-	-	-	-	-
	LtdDvP breakfast sponsor		1,500	1,500	-	-	1,500	-	-	-	-	1,500	-	-	-	-	-
	BigCont Income		12,000	12,000	-	-	-	12,000	-	-	-	12,000	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Events		5,412	17,000	-	-	5,000	12,000	-	-	-	17,000	-	-	-	-	-
4704	Program Service Revenue		140	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Program Fees		140	1,000	-	-	-	-	-	-	-	-	-	-	1,000	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Program Service Revenue		140	1,000	-	-	-	-	-	-	-	-	-	1,000	-	-	-

memo: FY 2002 thru 4/30

FY03 TOTAL

Programs

Fund Raising (& Gensupl Income) Admin (Mgt & Gen)

Total Program

Prof G

Prog F

Prog E

Prog D

Prog C

Prog B

Prog A

300

5,000

1,050

1,450

750

750

1,500

3,800

10,800

3,800

87

25

87

112

112

15,000

37,000

2,762

200

1,200

1,189

10,000

5,000

5,000

5,000

4,000

15,000

15,000

57,351

25,000

4,000

15,000

101,351

24,000

5,000

3,000

7,850

4,150

44,000

20,000

17,383

44,000

24,000

5,000

3,000

7,850

4,150

44,000

20,000

17,383

Sample Organization		Draft 4.2c									printed	03/08/11	12:00 PM	
Fiscal Year 2003 (7/1-6/30)														
Program-specific Expense Detail		memo:	FY03 TOTAL	Programs							Functions			
G/L Acct #	Line Item Definition / Planning	FY 2002 thru 4/30		Prog A	Prog B	Prog C	Prog D	Prog E	Prog F	Prof G	Total Program	Fund Raising (& GenSupt Income)	Admin (Mgt & Gen)	error checking
6020	Financial analysis	-												
	OnlineComm - subsidized computers		8,250	-	8,250	-	-	-	-	-	8,250	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
	Financial analysis	-	8,250	-	8,250	-	-	-	-	-	8,250	-	-	-
6030	Market analysis	-												
	OnlineComm - marketing for signup (xyz cost)		15,500	-	15,500	-	-	-	-	-	15,500	-	-	-
	OnlineComm - RRR1, evaluation		28,800	-	28,800	-	-	-	-	-	28,800	-	-	-
	LdrDvp Leader Pool Publicity		2,500	-	-	2,500	-	-	-	-	2,500	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
	Market analysis	-	46,800	-	44,300	2,500	-	-	-	-	46,800	-	-	-
6040	Communication counsel	8,383												
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
	Communication counsel	8,383		-	-	-	-	-	-	-				
6050	Publications & media	844												
	OnlineComm - marketing materials		6,000	-	6,000	-	-	-	-	-	6,000	-	-	-
	OnlineComm - computer trainers		8,000	-	8,000	-	-	-	-	-	8,000	-	-	-
	OnlineComm - cable modem installation		4,500	-	4,500	-	-	-	-	-	4,500	-	-	-
	LandUse - draft action plan		1,500	-	-	-	-	1,500	-	-	1,500	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
	Publications & media	844	20,000	-	18,500	-	-	1,500	-	-	20,000	-	-	-
6060	Events	6,042												
	LdrDvp - Talent Scout Breakfasts (24)		7,500	-	-	7,500	-	-	-	-	7,500	-	-	-
	October LdrDvp Breakfast		3,500	-	-	3,500	-	-	-	-	3,500	-	-	-
	BigConf - facilities & catering		13,750	-	-	-	13,750	-	-	-	13,750	-	-	-
	BigConf - website development		875	-	-	-	875	-	-	-	875	-	-	-
	BigConf - Contract Researcher		18,000	-	-	-	18,000	-	-	-	18,000	-	-	-
	BigConf - meeting consultants		5,000	-	-	-	5,000	-	-	-	5,000	-	-	-
	BigConf - speakers costs		10,000	-	-	-	10,000	-	-	-	10,000	-	-	-
	BigConf - supplies		2,000	-	-	-	2,000	-	-	-	2,000	-	-	-
	BigConf - postage		1,200	-	-	-	1,200	-	-	-	1,200	-	-	-
	BigConf - printing		5,000	-	-	-	5,000	-	-	-	5,000	-	-	-
	BigConf - equipment		485	-	-	-	485	-	-	-	485	-	-	-
	public events (2 @3500)		7,000	-	-	-	-	-	-	7,000	7,000	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
	Events	6,042	74,310	-	-	11,000	56,310	-	-	7,000	74,310	-	-	-
7800	Board expenses	329												
	Board meetings		1,000	-	-	-	-	-	-	-	-	-	1,000	-
	ExecComm meetings		880	-	-	-	-	-	-	-	-	-	880	-
				-	-	-	-	-	-	-	-	-	-	-

Sample Organization			Draft 4.2c									printed	03/08/11	12:00 PM
Fiscal Year 2003 (7/1-6/30)														
Program-specific Expense Detail														
		memo:	FY03 TOTAL	Programs							Functions			
G/L Acct #	Line Item Definition / Planning	FY 2002 thru 4/30		Prog A	Prog B	Prog C	Prog D	Prog E	Prog F	Prog G	Total Program	Fund Raising (& GenSupt Income)	Admin (Mgt & Gen)	error checking
	Board expenses	329	1,880	-	-	-	-	-	-	-	-	-	1,880	-
7900	Fundraising services	29,851												
	Devp Software annual payment		3,500	-	-	-	-	-	-	-	-	3,500	-	-
	Fundraising contractors		30,000	-	-	-	-	-	-	-	-	30,000	-	-
			-	-	-	-	-	-	-	-	-	-	-	-
	Fundraising services	29,851	33,500	-	-	-	-	-	-	-	-	33,500	-	-
TOTAL BUDGETED PROJECT-SPECIFIC EXPENSES		\$ 67,534	344,803	-	128,701	43,500	86,810	3,000	21,500	22,112	305,623	37,300	1,880	-

Sample Organization		Draft 4.2c		printed		03/08/11		9:49 AM				
Fiscal Year 2003 (7/1-6/30)												
Shared Operating Expense Detail		FY03 TOTAL		Programs		Functions		error checking				
G/L Acct #	Line Item Definition / Planning	memo:	Program A	Program B	Program C	Program D	Program E	Program F	Program G	Fund Raising (& Gensupt Income)	Admin (Mgt & Gen)	
Shared Cost Allocation rate from Dist FTE's on PRALIOC Schem			0.00%	24.65%	22.22%	16.02%	5.55%	12.65%	3.83%	84.9%	9.59%	5.50%
8070	Equipment lease & rent	5,441										
	copier/fax lease (306/mo)			906	816	589	204	465	141	3,120	352	202
	color copier (260/mo)			769	693	500	173	395	120	2,649	299	172
	postage machine (150/qrt)			148	133	96	33	76	23	509	58	33
	Equipment lease & rent	5,441		1,823	1,643	1,185	410	935	283	6,279	709	407
8080	Repairs & maintenance	1,466										
				493	444	320	111	253	77	1,698	192	110
	Repairs & maintenance	1,466		493	444	320	111	253	77	1,698	192	110
8090	Insurance	781										
	D&O Insurance (May)			493	444	320	111	253	77	1,698	192	110
	general liability (July)											
	workers comp (January)											
	Insurance	781		493	444	320	111	253	77	1,698	192	110
9000	Professional/outside services	12,630										
	Payroll processing											850
	CFO / finance consultant											12,000
	Legal - tax & corporate											250
	Legal - vendor / lease / contract			62	56	40	14	32	10	212	24	14
	Office Services			123	111	80	28	63	19	425	48	27
	IT services			246	222	160	55	126	38	849	96	55
	Financial review/audit FY 02			2,465	2,222	1,602	555	1,265	383	8,491	959	550
	Professional/outside services	12,630		2,896	2,610	1,883	652	1,486	450	9,977	1,127	13,746
9010	Staff devp & training	4,879										
	estimate			1,232	1,111	801	277	632	192	4,245	480	275
	Staff devp & training	4,879		1,232	1,111	801	277	632	192	4,245	480	275
9050	Taxes & licenses	135										
	CT-12 & Annual Report filing											150
	Taxes & licenses	135										150
9060	Bank charges	242										
	estimate											350
	Bank charges	242										350
9080	Miscellaneous expense	(1)										
	Miscellaneous expense	(1)										
		(1)										

Sample Organization					Draft 4.2c												<i>printed</i>		03/08/11		9:49 AM																																			
Fiscal Year 2003 (7/1-6/30)																																																								
Shared Operating Expense Detail																																																								
			<i>memo:</i>																																																					
G/L Acct #			Line Item Definition / Planning		FY 2002 thru 4/30																																																			
Shared Cost Allocation rate from Dist FTE's on PRAlloc Schem					100.00%		0.00%		24.65%		22.22%		16.02%		5.55%		12.65%		3.83%		84.9%		9.59%		5.50%																															
9090 Capital purchases-furn & equip			12,182																																																					
			Norton Utilites software		150																																																			
			networkable calendar		2,000																																																			
			Lobby art work (4 pymts @ 81)		324																																																			
			computers (2 @ 1000/ea)		2,000																																																			
			chairs (3)		900																																																			
			desk/furniture		1,000																																																			
			conference chairs (10)		1,800																																																			
			Microsoft Office licences (3 @38)		1,200																																																			
			Specialized software		200																																																			
			(1) phone & installation		600																																																			
			Capital purchases-furn & equip		12,182																																																			
					10,174																																																			
					-																																																			
TOTAL BUDGETED SHARED OPERATING EXP			86,144		111,283		-		21,089		19,007		13,709		4,744		10,820		3,278		72,648		8,206		10,174		-		-		-																									
																							Fund Raising (& GenSupt Income)		9.59%																															
																							Admin (Mgt & Gen)		5.50%																															
																							error checking		-																															

SCHEDULE A: PAYROLL PLANNING

FTE Position	Currently Held by (Name)	Salary Current Year	Wage Current Year	Base Annual Wage Hours	Anticipated OT Hours	New Hire Salary or Wage	Projected Base Pay before Raise	Projected OT Wage	Projected FY 03 Payroll @ Current Rate	FY 03 Changes to Payroll	Note on Basis for Change (e.g. "raise x% at Jan 1")	FY03 Payroll Budget
1.00 President / Principal / Project Director 1	Boss Person	\$ 75,000					\$ 75,000		\$ 75,000	1,875	5% mid yr	76,875
1.00 VP / Principal / Project Director 3	Senior Specialist - incoming	\$ 60,000				\$ 65,000	\$ 65,000		\$ 65,000	1,625	5% mid yr	66,625
1.00 Business Manager	Senior Specialist - outgoing	\$ 50,000					\$ 50,000		\$ 50,000	1,250	5% mid yr	51,250
1.00 Office Assistant	Biz Mgr		\$ 12.00	2,080	120	\$ 24,960	\$ 24,960	\$ 2,160	\$ 27,120	678	5% mid yr	27,798
0.25 Fundraiser	Genl Office		\$ 16.00	520	30	\$ 8,320	\$ 8,320	\$ 720	\$ 9,040	226	5% mid yr	9,266
0.25 Research Assistant	Fundraising Staffer		\$ 13.00	520	10	\$ 6,760	\$ 6,760	\$ 195	\$ 6,955	1,244	+5%mid yr	8,199
0.75 Project Assistant	Occasional Specialist			1,560	60	\$ 23,400	\$ 23,400	\$ 1,350	\$ 24,750	619	5% mid yr	25,369
0.25 temp hourly	Occasional Specialist			520	-	\$ 5,200	\$ 5,200	\$ -	\$ 5,200	130	5% mid yr	5,330
-	open salaried position											
Totals							\$ 258,640	\$ 4,425	\$ 263,065	\$ 7,647		\$ 270,712
-	New Position - waged											
-	New Position - salaried & bonused											

Use these lines here and carefully add lines to all other staff lists here and on PRALICE tab if additional staff positions are created

SCHEDULE B: PAYROLL TAX & BENEFITS PLANNING

	FY03 Payroll Budget	Employer Soc Sec	Employer Medicare	Employer SUI	Workers Comp	WBF Assess	Transit Tax (exempt)	FUTA (exempt)	Total Payroll Taxes	TXBL Disability	Health Insurance	Retire	Total Benefits
	rate												
President / Principal / Project Director 1	76,875	4,766	1,115	750	392	80			7,103	2,450	7,600	2,306	12,357
VP / Principal / Project Director 3	66,625	4,131	966	750	340	80			6,267	-	6,120	1,999	8,119
Business Manager	51,250	3,178	-	750	261	80			5,012	-	5,080	1,538	6,618
Office Assistant	27,798	1,723	403	750	142	80			3,098	-	3,098	834	3,934
Fundraiser	9,266	574	134	278	47	80			1,114	-	-	278	278
Research Assistant	8,199	508	119	246	42	80			995	-	-	246	246
Project Assistant	25,369	1,573	368	750	129	80			2,900	-	5,080	761	5,841
temp hourly	5,330	330	77	160	27	80			675	-	-	-	-
open salaried position	-	-	-	-	-	-			-	-	-	-	-
Totals	270,712	16,784	3,925	4,434	1,381	720			27,244	2,450	23,880	7,961	34,292
									Tax Burden: 10.1%			Benefit Burden: 12.67%	

Workers Comp is booked slightly higher than actual experience in FY 02, because Sr. Specialist Incoming will be at a higher rate. This year was rate .4589%.

** Healthinsurance figures are 8 months at current rates + 4 months of increase similar to last year.

SECTION 4

**Getting the Most Out of Your
Financial Statements**

PREFACE

Part I – BCA Sample Financial Statements, provides example financial statements cited in Section 4 of the Toolkit. The sample statements are based on the financial statement layout of an existing CAA, but the numbers have been changed, the statement layouts have been simplified, and some account detail has been aggregated, thereby reducing the number of accounts. We have included an annotated list of some of the accounts most commonly found in CAA financial statements which do not appear in these samples.

Part II – A Closer Look at BCA Financials, focuses on what the numbers on the sample statements in Part I might mean. The questions raised and answers provided are meant to illustrate some of the issues and information that a board can discover through a systematic examination of the financial statements. But those discussions are speculative. Only a discussion with BCA's management can reveal the story behind the numbers. That is why financial oversight requires discussion rather than just distribution of the financial statements.

Part I - BCA Sample Financial Statements

Exhibit #1: Statement of Financial Position (Balance Sheet)

BCA
Statement of Financial Position
September 30, 2019

with comparative totals as of June 30, 2019

	9-30-19	6-30-19
Assets		
Cash	\$160,000	\$200,000
Receivables	501,100	281,100
Prepaid expenses	200,000	100,000
Land, buildings, equipment (net of accum deprec)	1,500,000	1,510,000
Total assets	2,361,100	2,091,100
 Liabilities and Net Assets		
<i>Liabilities</i>		
Accounts payable	190,000	170,000
Line of credit payable	250,000	150,000
Unemployment Comp Reserve	80,000	50,000
Total liabilities	520,000	370,000
 <i>Net Assets without Donor Restrictions</i>		
Available for operations	-8,900	11,100
Invested in fixed assets	1,500,000	1,510,000
Board designated reserves	100,000	100,000
Subtotal - Unrestricted net assets	1,591,100	1,621,100
 <i>Net assets with donor restrictions</i>	250,000	100,000
 <i>Total Net Assets</i>	1,841,100	1,721,100
Total Liabilities & Net Assets	\$2,361,100	\$2,091,100

Exhibit #2: Statement of Activities (Income Statement)

- a. Exhibit 2A: Columnar Format
- b. Exhibit 2B: Stacked Format

BCA
Statement of Activities (Columnar Format)
7/1/19 through 9/30/19

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Foundation and corporate grants	\$ 45,000	\$ 250,000	\$ 295,000
Governmental grants & contracts	240,000	-	240,000
Contributions from individuals	15,000	-	15,000
Events (net of expenses)	5,000	-	5,000
Investment income	1,300	-	1,300
Total support and revenue	<u>306,300</u>	<u>250,000</u>	<u>556,300</u>
Net assets released from restrictions	100,000	(100,000)	-
Total support and revenue	<u>406,300</u>	<u>150,000</u>	<u>556,300</u>
EXPENSES			
Personnel	329,000	-	329,000
Professional Services	35,000	-	35,000
Occupancy	22,300	-	22,300
Other expenses	50,000	-	50,000
Total expenses	<u>436,300</u>	<u> </u>	<u>436,300</u>
INCREASE IN NET ASSETS	(30,000)	150,000	120,000
NET ASSETS, Beginning of Year	<u>1,621,100</u>	<u>100,000</u>	<u>1,721,100</u>
NET ASSETS, End of 1st Qtr.	<u>\$ 1,591,100</u>	<u>\$ 250,000</u>	<u>\$ 1,841,100</u>

BCA
Statement of Activities (Stacked Format)
7/1/19 through 9/30/19

	<u>7/1/19 - 9/30/19</u>	<u>Annual Budget</u>	<u>% Budget Realized</u>	<u>Projected Year End</u>
Support & Revenues w/o Donor Restrictions				
Foundation and corporate grants	\$ 45,000	\$ 30,000	1.50	50,000
Governmental grants & contracts	240,000	830,000	0.29	830,000
Contributions from individuals	15,000	60,000	0.25	50,000
Events net of expenses	5,000	50,000	0.10	50,000
Investment income	1,300	5,000	0.26	3,000
	<u>306,300</u>	<u>975,000</u>	<u>0.31</u>	<u>983,000</u>
Net assets released from restrictions	100,000	225,000	0.44	225,000
Total Unrestricted Support and Revenue	<u>406,300</u>	<u>1,200,000</u>	<u>0.34</u>	<u>1,208,000</u>
Expenses w/o Donor Restrictions				
Personnel	329,000	920,000	0.36	950,000
Prof Services	35,000	40,000	0.88	40,000
Occupancy	22,300	45,000	0.50	50,000
Other expenses	50,000	170,000	0.29	165,000
Total Expenses w/o Donor Restrictions	<u>436,300</u>	<u>1,175,000</u>	<u>0.37</u>	<u>1,205,000</u>
		-		
Increase in Net Assets w/o Restrictions	<u>(30,000)</u>	<u>25,000</u>	<u>-1.20</u>	<u>3,000</u>
Support with Donor Restrictions				
New TR Grants Received	250,000	360,000	0.69	325,000
Released from Temp Restrict	(100,000)	(225,000)	0.44	(225,000)
Increase in Net Assets w/ Restrictions	<u>150,000</u>	<u>135,000</u>	<u>1.11</u>	<u>100,000</u>
Increase in Total Net Assets	<u>120,000</u>	<u>160,000</u>	<u>0.75</u>	<u>103,000</u>
Net Assets, Beginning of Year	<u>1,721,100</u>			
Net Assets, End of 1st Qtr.	<u>1,841,100</u>			

Exhibit #3: Statement of Cash Flows

BCA
STATEMENT OF CASH FLOWS
Quarter ended September 30, 2019

	9-30-19
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 120,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	10,000
(Increase) decrease in:	
Accounts receivable	(220,000)
(Increase) decrease in:	
Prepaid expenses	(100,000)
Increase (decrease) in:	
Accounts payable	20,000
Unemploy reserve	30,000
Net cash provided by operating activities	(140,000)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	-
Net cash used in investing activities	-
 CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in Line of Credit	100,000
Net cash from financing activities	100,000
 NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	 (40,000)
 CASH AND EQUIVALENTS, BEGINNING OF QUARTER	 200,000
 CASH AND EQUIVALENTS, END OF QUARTER	 <u><u>\$ 160,000</u></u>

Exhibit #4: Statement of Functional Expenses

BCA
Statement of Functional Expenses
July 1, 2019 through September 30, 2019

	7/1/11 thru 9/30/11	Management	Fundraising	Program X	Program Y	Program Z
Personnel	329,000	60,000	20,000	79,000	80,000	90,000
Professional Services	35,000	15,000			10,000	10,000
Occupancy	22,300	2,030	2,000	11,500	2,325	4,445
Other expenses	50,000	3,730	7,130	6,140	13,000	20,000
Total Expenses	436,300	80,760	29,130	96,640	105,325	124,445

Exhibit #5: Statement of Functional Revenues and Expenses

BCA
Statement of Unrestricted Revenues and Expenses by Function
July 1, 2019 through September 30, 2019

	7/1/19 through 9/30/19	Administrative	Fundraising	Program X	Program Y	Program Z
Unrestricted Support and Revenues						
Foundation grants	45,000			5,000		
Government contracts	240,000			35,000	85,000	120,000
Individual gifts	15,000		15,000			
Events net of expenses	5,000		5,000			
Investment Income	1,300		1,300			
Released from Temp Restrictions	100,000		40,000	28,000	40,000	32,000
Total unrestricted support and revenue	406,300	0	61,300	68,000	125,000	152,000
Direct Expenses						
Personnel	329,000	60,000	20,000	79,000	80,000	90,000
Professional Services	35,000	15,000			10,000	10,000
Other Expenses	50,000	3,730	7,030	6,240	13,000	20,000
Subtotal direct expenses	414,000	78,730	27,030	85,240	103,000	120,000
Allocated Expenses						
Occupancy	22,300	2,030	2,000	11,500	2,325	4,445
Direct and allocated expenses	436,300	80,760	29,030	96,740	105,325	124,445
Allocation of administrative expenses	0	(80,760)	6,594	21,974	23,924	28,267
Expenses after allocation of administrative expenses	436,300	0	35,624	118,714	129,249	152,712
Excess (deficit) of support & revenue over total expenses	(\$30,000)	0	\$25,676	(\$50,714)	(\$4,249)	(\$712)

Exhibit #6: A Few Sample Notes to the Financial Statements

A Few Sample Notes to the Financial Statements

Organization:

DESCRIPTION OF ORGANIZATION

Community House, Inc. (the Organization) is a private, nonprofit, social service agency serving Sample area, Adams, and Washington counties. Founded in 1905, its mission is to provide services and resources to develop, support and foster self-reliance, economic independence and dignity in people of all ages. The Organization receives approximately 46% of its annual support from one governmental agency (44% from two governmental agencies in 2018). Additional support is primarily from donations and program fees.

Community House focuses its work primarily in Southwest, North, and Northeast Sample County while providing additional services as needed throughout Adams County and western Washington County. Major service areas include:

- Early Childhood Programs: working to support child development from birth through age six to ensure that young children are prepared to be successful in school. Programs include Head Start, Early Head Start; Preschool Promise, Peninsula Children's Learning Center and an innovative multicultural Parenting Program;
- Youth and Family Programs: helping school-age children succeed through youth development and academic support programs before and after-school care programs at four schools in North, Northeast, and Southwest Sample;
- Anti-poverty Family Support Services: including operation of Southwest Sample's largest food pantry, and provision of housing and supportive services for homeless families at the 19th Avenue Apartments program; and
- Senior programs keeping elders active, health and socially connected through an array of activities at the Community House Senior Center and Senior Transportation Program.

Liquidity:

AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Leases:

LEASE COMMITMENTS

The Organization leases program and administrative facilities under operating leases with varying expiration dates from June 2020 through June 2023. Total monthly lease payments for use of facilities approximated \$12,800 in 2019 and 2018. The Organization

also leases space in the Multnomah Center under a lease that is renewed annually. The Organization also leases copiers and a printer under operating leases.

Rent expense under all agreements approximated \$193,200 and \$225,100 for the years ended June 30, 2019 and 2018, respectively.

The Organization's future minimum annual lease commitments under noncancelable leases are as follows:

Year ending June 30, 2020	\$ 143,800
2021	129,300
2022	130,900
<u>2023</u>	<u>134,200</u>
Total	\$ 538,200

Pensions and Retirement Plans:

RETIREMENT PLAN

The Organization has a 403(b) plan available to all non-leased employees who normally work 20 hours or more per week. The Organization may make matching contributions for all qualified employees who make salary deferrals into the plan. The amount of the match, if any, is determined on an annual basis. In January 2018, the match was discontinued. The Organization's contributions to the plan for 2018 totaled approximately \$21,800.

Exhibit #7: Road Map to Financial Statements

Road Map to Financial Statements

One of the most common sources of confusion for boards reading financial reports is that different organizations use different terms to describe the same type of report. The table below provides a quick list of the multiple names that are frequently given to each of the 5 financial statements that are included in the Appendix to Section 4.

Nonprofit Financial Statement	“Also Known As”	What’s in This Statement?
Statement of Financial Position (Exhibit 1)	<ul style="list-style-type: none"> ● Balance Sheet 	<ul style="list-style-type: none"> ● Assets ● Liabilities ● Net Assets
Statement of Activities (Exhibits 2A and 2B)	<ul style="list-style-type: none"> ● Income Statement ● Profit & Loss Statement ● Statement of Support, Revenues, and Expenses 	<ul style="list-style-type: none"> ● Revenues ● Expenses ● Net Income
Statement of Cash Flows (Exhibit 3)	n/a	Cash flows from: <ul style="list-style-type: none"> ● Operating activities ● Investing activities ● Financing activities ● Net change in cash
Statement of Functional Expenses (Exhibit 4)	n/a	Matrix of expenses displayed by line item and by functional categories – management, fundraising, and programs
Statement of Functional Revenues and Expenses (Exhibit 5)	Program report	Matrix of both revenues and expenses displayed by line item and functional categories – management, fundraising, and programs

Part II - A Closer Look at BCA Financials

Example 1: How to Assess Liquidity

Even a brief look at **Exhibit 1 - Statement of Financial Position** would make BCA's weakening cash position obvious and raise questions about its ability to meet its obligations on time. If BCA were following best practices, its management would have alerted the board's finance committee to the changed circumstances and developed a proposal for dealing with the growing cash flow problems if necessary. The board member or other person charged with leading the discussion on finances should have anticipated the obvious question about the increase in the line of credit and the possible use of restricted cash for unrestricted purposes and been prepared to discuss it regardless of whether somebody asked about it.

One useful way to assess liquidity is to compare the cash balance (\$160,000) to the current liabilities (\$520,000), and then ask: "How are we going to make up the shortfall (\$150,000)?"

The board should begin by reviewing the significant increase in receivables. For many CAAs, a large portion of this number represents amounts that the CAA is entitled to be reimbursed under government grants. Both management and the board should examine a schedule aging the reimbursements (e.g., amounts due and expected to be received in 30, 60, 90, and 120 days). Management should indicate whether circumstances exist that might turn routine reimbursements into ones that are denied. Management should also provide the board with aging schedules for any other receivables. In all likelihood, the funds collected as these receivables are paid by various governmental sources the organization has invoiced will be the primary source for repaying the current liabilities.

BCA's Balance Sheet shows a significant increase in the line of credit during the first quarter of the fiscal year. The Treasurer reports that the current balance of \$250,000 is actually above the \$200,000 line of credit limit that the board previously authorized. The board should discuss whether it wishes to continue the increase in the line of credit limit and ask management to present its plan for paying off the line of credit during the "rest" period, the month that the bank requires the line of credit to carry a zero balance.

Example 2: What about Looking at Land, Building, and Equipment?

The facts are the same as Scenario 5 in Section 4 of the Toolkit, which focuses on **Exhibit 1 - Statement of Financial Position**, but Gallagher now asks about how the land, building, and equipment affect liquidity.

By and large, as a starting point, board members need to remember that the balances reported for fixed assets (land, building, and equipment) reflect historical cost of these items (reduced by accumulated depreciation, which builds up as depreciation expense is recorded each year). This means that the amounts shown on the balance sheet for the fixed assets may bear no relationship to current value. On a practical level, BCA could sell its building or mortgage its land to raise cash to meet its current liabilities, but each of those actions is a major and involved one. Although selling its headquarters is one way to pay employee salaries, organizations don't routinely sell operating assets

to pay recurring operating expenses. This does not mean that a discussion of long-term borrowing or asset sales is off limits, but that discussion is best undertaken as part of longer-term planning efforts. It probably should start as a discussion between the finance committee and management until there are firm proposals.

Example 3: Is There Another Way to Measure Liquidity?

The facts are the same as Scenario 5 in Section 4 of the Toolkit, which focuses on **Exhibit 1 - Statement of Financial Position**. Gallagher is still skeptical about devoting more meeting time to the financial statements, but she did notice that BCA lost \$366,781 last year and that **Exhibits 2A and 2B - Statement of Activities**, reports that BCA has a unrestricted net loss of (\$30,000) during the first quarter of the fiscal year, Gallagher says, “I know I may be a financial neophyte, but we can’t keep losing money like this forever.

In the long run, Gallagher is absolutely correct. BCA’s problems are actually greater than the \$(30,000) unrestricted loss that the Statement of Activities would suggest. BCA’s cash position is deteriorating, as evidenced by the need to increase the limit on the line of credit and increases in both accounts payable and amounts owed to the unemployment compensation reserve. To understand what is happening to BCA’s cash position, Gallagher will need to review the Statement of Cash Flows, which focuses on the nitty-gritty of cash in and out rather than accrual-based accounting net income.

For many readers, the Statement of Cash Flows is complex and a seemingly indecipherable document when first examined. The average board member can easily cut through the complexity by understanding that the purpose of the statement is to explain what happened to cash during the quarter. The change in the cash balance during the quarter is reported on the third line from the bottom, captioned “Net Increase (Decrease) in Cash and Equivalents”. **Exhibit 3 - Statement of Cash Flows** reports a decrease in cash (\$40,000) over the first quarter of the fiscal year.

The explanation for this drop in cash is provided in three segments reporting on cash flows from operating activities, investing activities, and financing activities. In this case, operating activities resulted in a reduction in cash of (\$140,000). This reduction in cash was offset by borrowing cash through drawing down an additional \$100,000 from the line of credit. In this example, BCA didn’t report any investing activities which would typically include the purchase or sale of equipment or other fixed assets.

Board members who are frustrated by accrual accounting, which records income when it is earned and expenses when they are incurred regardless of when cash is received or disbursed, may find the cash flows from operating activities helpful. It begins with accrual basis net income (increase in net assets) and then shows why this number is different from the actual decrease in cash. In this case, part of the explanation is that depreciation does not consume cash. A bigger factor is that while BCA recorded \$535,000 in both unrestricted and restricted grants (both foundation and government) during the quarter, it has also recorded an increase in grants receivable of \$220,000. This reflects that the grant income recorded using the accrual basis of accounting is not the same thing as the

cash actually collected and deposited into BCA's bank account.

The Operating Activities section of the Statement of Cash Flows also explains that BCA increased both its accounts payable and its liability for contributions to its unemployment reserve. Again, accrual accounting required recording expenses as they are incurred, but BCA lacked the cash to pay some of its obligations and consequently saw its liabilities increase. The Statement of Cash Flows contains lots of other information, but this discussion illustrates how the board should use the statement. Management and the finance committee should be reviewing the other entries in greater detail.

Beyond reviewing the Statement of Cash Flows to understand what has happened to BCA's cash position, the finance committee and management should be reviewing an updated Cash Flow Projection, which is a very different financial management tool. The Cash Flow Projection should predict what cash will come in and flow out in each of the next 12 months in order to understand whether BCA will have the cash it needs when it needs to meet its obligations. Given BCA's poor cash position, the board should expect management to provide a plan to improve cash and the finance committee should monitor whether the plan is actually working.

Example 4: Is There Anything Else the Board Can Use to Make the Process Easier?

The facts are the same as Scenario 5 in Section 4 of the Toolkit, which focuses on **Exhibit 1 - Statement of Financial Position**. Whipple has grown tired with the BCA board's reluctance to meaningfully discuss BCA's finances. She urges board members to take a hard look at BCA's net assets. While the total net assets grew from \$1,721,100 at the end of June to \$1,841,100 at the end of September, she is concerned that the increase of \$150,000 in net assets with donor restrictions is masking the decline in net assets without donor restrictions, which decreased by \$30,000. That (\$30,000) reflects the reality that BCA's unrestricted income fell \$30,000 short of its expenses.

Whipple points out that \$250,000 of the grants BCA recorded during the first quarter were donor restricted. BCA was able to use only \$100,000 of its donor restricted funds during the first quarter, resulting in the net assets with donor restrictions increasing by \$150,000. While this is good news to the extent it represents funders being willing to provide funding for future activities, the unrestricted net loss has resulted in reducing BCA's unrestricted net assets. In fact, BCA's unrestricted net assets available for operations became negative (\$8,900). What this really means is that the \$100,000 in net assets that the board had designated for a future capital campaign is being consumed by its operating losses.

Another concern that Whipple hopes to hear management address lies in the fact that while BCA's net assets with donor restrictions total \$250,000 at the end of September, its cash balance is only \$160,000. This raises concerns that BCA may be using restricted cash to meet its unrestricted obligations.

Example 5: Budget Variances Can Show More than Just Shortfalls

The facts are the same as Scenario 4 in Section 4 of the Toolkit, which focuses on **Exhibit 2B - Statement of Activities (Stacked Format)**. As the discussion of the personnel expenses exceeding the budget is coming to an end, Max Weingard, another board member, pipes up, "What is going on with the Professional Services? We're only a quarter of the way through the year and we've spent 88% of the budget." Weingard is absolutely right to raise this point. Cruz offers the following explanation: BCA's independent audit, which is one of its largest Professional Service expenses, was concluded in September, so the expense was recorded when the bill was received. The budget for Professional Services also included funds for consultation on how to improve staff morale, which was scheduled for the first quarter of the year when BCA had anticipated that staff would be under less stress than later in the fall. Unfortunately, August and September turned out to be two of BCA's busiest months ever, but the contract with the consultant required going ahead with the staff morale sessions.

LESSON: Weingard makes an excellent point. Anyone reviewing any financial schedule must understand the assumptions and conventions used in assembling and presenting the data. This is one reason the board should be reviewing financial data at each board meeting. It takes time and familiarity with the reporting system to understand the data produced by the system. That requires regular discussions.

Example 6: Projections Really Help

Exhibit 2B presents the Statement of Activities in the "stacked" format, which places unrestricted activity at the top of the report and restricted activity at the bottom. The numbers and results from activities are just the same as those on Exhibit 2A, which presents the Statement of Activities in the "columnar" format. One advantage of the "stacked" format is that it leaves room for comparison with the budget, and computation of the % of budget realized, and also adds a fourth column for Projected Year End. The Projected Year End information is extremely helpful to board members. It provides management's most recent estimate of how the year will end up. Most CEOs and CFOs inform the board continuously as conditions change both in terms of expenses and also in terms of the availability of income. But it is very difficult for board members to put all those pieces together to understand whether management believes that the combination of all those changes will produce a positive or negative result.

Exhibit 2A presents management's projection that the year will end with a net increase in unrestricted net assets of \$3,000. That's not as good as BCA planned for in the budget, which projected the net increase unrestricted net assets (unrestricted net income) to be \$25,000, but it's certainly a more positive picture than the first quarter results showing a net unrestricted loss of (\$30,000). Of course, management must be prepared to discuss the basis for its projection in detail with the finance committee.

SECTION 5

Dealing with Conflicts of Interest

APPENDIX A
Sample Conflict of Interest Policies

Appendix A: Sample Conflict of Interest Policies

The following are links to conflicts of interest [and procurement] policies that nonprofits have posted to the web. CAAs will benefit most by examining these policies to see the ways that organizations approach the different issues posed in designing and implementing any conflicts of interest policy.

CAPLAW Model Conflicts of Interest Policies

<http://www.capl原因.org/modelpolicies.html>

Board Source Managing Conflicts of Interest: A Primer for Nonprofit Boards (for purchase)

By: Daniel L. Kurtz, Sarah E. Paul

<http://www.boardsource.org/Bookstore.asp?Item=182>

Board Source Downloadable Policy Samplers (for purchase)

<http://www.boardsource.org/Bookstore.asp?Type=epolicy>

Blue Avocado Nonprofit Conflict of Interest: A 3-Dimensional View/Samples

<http://www.blueavocado.org/node/545>

Independent Sector Panel on the Nonprofit Sector and

<http://www.nonprofitpanel.org>

Independent Sector Resource Center for Good Governance and Ethical Practice

http://www.independentsector.org/governance_ethics_resource_center

Internal Revenue Service Sample Conflict of Interest Policy

<http://www.irs.gov/instructions/i1023/ar03.html>

National Council of Nonprofits Conflict of Interest Policies/Samples

<http://www.councilofnonprofits.org/conflict-of-interest>

APPENDIX B
Sample Annual Disclosure
Questionnaire

Sample Annual Disclosure Questionnaire

ANNUAL CONFLICTS-OF-INTEREST DISCLOSURES FOR COMMUNITY ACTION AGENCIES

NOTE TO USERS: This document was designed to be a comprehensive questionnaire—even then several possible areas of inquiry were omitted. If you believe a question is too intrusive or the coverage is too detailed, your organization should modify the questionnaire.

NAME: (Please Print your Name) _____

REASON FOR POLICY. Conflicts of interest raise governance, tax, and regulatory issues for community action agencies. They also raise concerns in the mind of public and members of the media, potentially undermining the Organization’s reputation and good standing. For these reasons, the Organization’s officers, directors, and key employees should avoid conflicts of interest, disclose ethical, legal, financial, and other such conflicts, and remove themselves from a position of decision-making authority if they would otherwise be called on to act on a conflict involving themselves.

REASON FOR THE QUESTIONNAIRE. The Organization’s board of directors is committed to the highest ethical standards in how the Organization conducts its business and operations. An annual questionnaire helps the board and management identify and evaluate situations and relationships that could be problematic to the Organization, including ones that could jeopardize its tax-exempt status or ability to obtain grants or other funding.

WE ASK FOR YOUR COOPERATION. The questionnaire should take no more than five to ten minutes for most people to complete. It asks intentionally broad questions, with the hope of identifying all relevant transactions. Please do not view it as intrusive or invasive. The information will be shared with others only on a “need-to-know” basis. If you do have privacy concerns, please speak with your immediate supervisor, the Head of Human Resources, of the Executive Director.

IDENTIFYING A CONFLICT OR RELATIONSHIP DOES NOT NECESSARILY MEAN THERE IS A PROBLEM. In some instances, you may need to reveal a conflict or a relationship when responding to a question. This does not necessarily mean that you have done something improper or violated the Organization’s conflicts-of-interest policy. As just one example, if your spouse works as a repairperson for a utility that provides electrical services to the Organization you should indicate so, but that sort of relationship should not be a problem.

By identifying all relationships, you permit the board and management to make an informed judgment, further permitting them to address the issues through appropriate action or safeguards. Being forthright now is the best approach.

COMPLETING THE QUESTIONNAIRE. Each director, officer, and key employee (a covered person) is required to complete and sign this questionnaire annually. **[CAAs with Head Start programs should include members of the policy council].** You should base your answers on facts that either exist now, or that have arisen since you last completed the annual questionnaire. All answers should be to the best of your knowledge. If you need additional space when responding, please attach additional sheets of paper with the question numbers and your responses.

Immediate family members include the following persons: a spouse, parents and grandparents, children and grandchildren, brothers and sisters, in-laws, brothers- and sisters-in-law, daughters- and sons-in-law, and adopted and step family members.

1. **RELATIONSHIP WITH OTHER COVERED PERSONS.** Are any members of your *immediate family* members of Organization's board of directors, or officers or employees of the Organization?

Yes No

If yes, then identify the immediate family member and his or her position with the Organization.

2. **DOING BUSINESS WITH THE ORGANIZATION.** Do you or any members of your *immediate family* do any business with the Organization? Doing business includes, but is not limited to, selling goods and services to, renting property, or lending money to the Organization.

Yes No

If yes, then identify the immediate family member and the nature of the business.

3. **OWNERSHIP OR EMPLOYMENT WITH ORGANIZATION'S DOING BUSINESS WITH THE ORGANIZATION.** Do you or an *immediate family* member have a financial interest in or employment relationship with a business organization that does business with the Organization?

Yes No

If yes, then identify the other organization and the financial interest or employment relationship and who has it.

4. **OTHER.** Are there any other relationships or facts that could cause you to act in a matter that is adverse to or not in the best interests of the Organization or its mission?

Yes No

If yes, then describe the nature of those relationships or facts and why they pose a potential conflict or problem.

5. **CERTIFICATIONS.** I have received a copy of the Organization's conflicts-of-interest policy; I have read and understand it; and I agree to abide by it.

Yes No

If no, explain.

To the best of my knowledge, my responses to this questionnaire are true, complete, and accurate.

Date: _____

Signature: _____

SECTION 6

Adopting a Whistleblower Policy

APPENDIX A
Sample Whistleblower Policies

Sample Whistleblower Policies

The following are links to whistleblower policies that nonprofits have posted to the web. CAA's will benefit most by examining these policies to see the ways that organizations approach the different issues posed in designing and implementing any whistleblower policy.

CAPLAW Model Combined Complaint Resolution/Whistleblower Policy for CAAs/Head Start Grantees

<http://www.capl原因.org/documents/ComplaintPolicy-2008.doc>

American Institute of CPAS (AICPA) Sample Whistleblower Policy and Tracking Tool in AICPA Not-for-Profit Audit Committee Toolkit Downloads Part III: Audit Committee- Internal Control and Internal Audit

<http://www.aicpa.org/InterestAreas/BusinessIndustryAndGovernment/Resources/NotForProfitResourceCenter/Pages/AICPANot-for-ProfitAuditCommitteeToolkit.aspx>

Blue Avocado Model Whistleblower Policy for Nonprofits

<http://www.blueavocado.org/content/model-whistleblower-policy-nonprofits>

Cumberland Community Action Program Anti-Fraud Policy and Procedure

<http://www.ccap-inc.org/anti-fraudpolicy09.pdf>

Epilepsy Foundation Whistleblower Policy /Policy on Reporting and Investigating Allegations of Suspected Improper Activities

<http://www.epilepsyfoundation.org/aboutus/whistleblower.cfm>

Inland Regional Center Whistleblower Policy

<http://inlandrc.org/wp-content/uploads/2011/05/whistleblowerletter.pdf>

Kimmel Housing Development Foundation Whistleblower and Protected Disclosure Policy

http://kimmelhousing.org/resources/KHDF_Whistleblowing_Policy.pdf

Missouri Ozarks Community Action Personnel Policy, See Section V. Standards of Conduct

<http://www.mocaonline.org/PDF/PERSONNEL%20POLICY%20MANUAL%202009.pdf>

National Council of Nonprofits Whistleblower Protection Policies/Samples

www.councilofnonprofits.org/resources/resources-topic/boards-governance/whistleblower-protection-policies

Nonprofit Risk Management Association Whistleblower Protections in the Nonprofit Sector/Sample

www.nonprofitrisk.org/library/articles/employment091005.shtml

SIEDA Community Action Whistleblower Policy

<http://www.sieda.org/Complaints-Fraud.htm>

St. Bede's School Pupil Safeguarding and Welfare (Child Protection) Policy

<http://www.stbedeschool.org/assets/3--pupil-safeguarding-and-welfare-policy-oct-2010.pdf>

West Central Community Action Agency Whistleblower Policy

<http://www.westcentralca.org/Whistleblower.html>

APPENDIX B
Whistleblower Online Resources

Whistleblower Online Resources

The following are websites that users of this toolkit may find helpful. CAPLAW offers these websites as resources that might be of interest, but does not warrant the accuracy of the information presented, nor does it endorse the sample policies or any products or services offered by these organizations.

Association of Certified Fraud Examiners (ACFE)

ACFE's biennial surveys of fraud examiners that demonstrate the importance of whistleblower policies in any program designed to curb fraud. <http://www.acfe.com>

Government Accountability Project (GAP)

GAP is a nonprofit organization that promotes corporate and government accountability. It receives funding from the Carnegie Foundation, the Ford Foundation, and the Rockefeller Family Fund, among other donors. This site addresses issues that go far beyond the ones that are of concern to nonprofits, but much of the material should be of interest to CAAs.

<http://www.whistleblower.org>

Independent Sector Panel on the Nonprofit Sector

Independent Sector convened a panel of national nonprofit leaders to develop recommendations to improve the governance of nonprofit entities. The Panel's final report, *Principles for Good Governance and Ethical Practice: A Guide for Charities and Foundations* and supplemental materials address the importance of whistleblower policies. <http://www.nonprofitpanel.org>

Internal Revenue Service Whistleblower Office

The IRS allows anyone to file a report alleging violations of federal tax laws. This website explains program details and how to file a claim. <http://www.irs.gov/irs/article/0,,id=179207,00.html>

National Conference of State Legislatures (NCSL)

NCSL maintains a website listing whistleblower laws on a state-by-state basis. The listing includes a citation, coverage, and a brief summary of the provisions. The list was compiled in 2005 and was updated in November 2009. In several cases, the citations are out of date, but the list is a good starting point for identifying whistleblower laws for a particular state.

<http://www.ncsl.org/?tabid=13390>

Taxpayers Against Fraud

Taxpayers Against Fraud is a nonprofit organization that maintains a website providing information about Federal False Claim Act and *qui tam* litigation. <http://www.taf.org>

United States Department of Labor

This site includes compliance materials prepared by the DOL and other agencies and a list of applicable federal laws and regulations pertaining to whistleblowers.

<http://www.dol.gov/compliance/laws/comp-whistleblower.htm>