



Revenue and Cash Receipt Policies

Accounting & Financial Policies and Procedures Manual

Approved: 8/17/2021

Effective Date: 8/17/2021 _____

REVENUES AND CASH RECEIPTS POLICIES

REVENUE

Revenue Recognition Policies

Central Oklahoma Community Action Agency receives revenues from several types of transactions. Recognition of these Revenue items is based on the type of income, and the number of times the income is received in a given period. The following is set as a benchmark, realizing there may be instances in which Income is received but does not fall into any of these categories. It is Finance's policy to minimize, or eliminate, Miscellaneous Income, only allowing for Miscellaneous Income in those rare instances in which the Revenue received is expected to only occur once.

1. Grant Income - Monthly accrual is based upon incurrence of allowable expenses/costs for those Grants in which Draw Requests/ Invoicing are requested by the Finance Department or Transit System. These grants can either be Federal, State, or Local, and the requests may be made multiple times during a month or accounting period. At no time does Central Oklahoma Community Action Agency generate a profit from Grant revenues requiring careful record-keeping of expected Cash Receipts. Revenue is recognized by an entry to Grants Receivable to provide the Finance Director the ability to anticipate revenue receipts when paying invoices.

If Draw requests *exceed* the allowable expenses/costs for any given month, an entry is made to defer this revenue to the following month and recognize it against the expenses for that accounting period.

The FEMA Grant Income is received in two equal installments, and different Funding periods as determined by the County in which these funds are intended. These funds are recorded as Deferred Revenue until all funds have been expended for expenses as allowed by the Grant contract.

2. United Way Allocations - United Way is distinguished from other Grant Income due to how these allocations are made to the Agency. Income is recognized at the time the funds are received. These funds are allocated by the County United Way services based upon a Grant Request made by Central Oklahoma Community Action Agency. Awards are made to the Agency for services in a particular county. The size of the United Way Allocation award will determine if a separate fund is necessary to properly account for these funds. This is a subjective decision, made by the Finance Director, and will be based partly upon the amount of Donations historically received by that Counties General Fund. At the end of United Way's award, it is the Program Directors responsibility to make sure all the funds have been expended and no funds remain in accordance with the United Way Agreement/Contract.
3. Interest Income - Recognized as Income when received. Interest is normally paid on the last day of the month, unless it is from restricted funds (net assets) secured by a 90-

day CD, in which case we may have several months of interest posted in one given month. This obviously does not reflect properly all the income earned monthly, but due to the minimal amount of funds secured by Interest-bearing funds for the Agency it has an immaterial effect on the overall presentation of the Financial Statements.

4. **Rental Contract** - Recognized as income in the month earned. This income is from Norman Housing Authority and Stillwater Housing Authority and paid in arrears. The checks have historically been mailed prior to the last day of the month, but unfortunately not received for deposit until after that date (exceptions have existed). Recognize the income as a Receivable under Grant Receivable for operation purposes and report the income in the period earned as documented on the check stub.
5. **Rent Income** - Recognized in the period received. Central Oklahoma Community Action Agency provides services to the Homeless and Low-Income population for our Service area. Although the Schedule of Rents is prepared monthly for each location it is subject to the Tenants ability to pay making it an uncertain income stream. An example would be at the Mission of Hope, a resident in one of our Transitional Housing Units has lost their job and is only able to pay \$25 is month, but has been paying \$150 when employed. Although the anticipated Rent Income would be \$150, \$25 would be recorded and the remaining \$125 forgiven with no recognition of lost revenue made in the General Ledger.
6. **Fare Box Revenue** - Central Oklahoma Community Action Agency currently charges \$3 per ride for their Shawnee local rides. Fare Box Revenue is earned when the Revenue is received. Fare Box Revenue can be paid in advance of the ride (purchase of the Ticket Book containing 10 pre-numbered tickets) or paid when the customer is picked up. Therefore, a small amount of revenue would ordinarily be reported as a Liability (deferred) until the service was actually performed. Ride tickets are not refundable, therefore making the need to document the deferred revenue immaterial to the financial statements.
7. **Contributions** - Unrestricted funds are recognized when received. These are recorded in the County Donation fund realizing that the donor generally expects the donations to remain in the County in which they reside.

Restricted Funds are recognized when the funds have been expended. Due to software limitations Central Oklahoma Community Action Agency taken the position to classify large donations with restrictions in the Deferred Revenue Liability Account and matched against actual expenses when recognized. Although this does not follow Generally Accepted Accounting Principles is does provide controls for donors requests and adequate documentation to make Journal Entries to conform to Generally Accepted Accounting Principles at the end of the year.

8. **Transportation Contracts** - Central Oklahoma Community Action Agency has taken the position to expand the Transit System in recent years. The invoicing for Medical Rides, TANF, Road-to-Work, etc. will be billed monthly by the COTS director. Finance recognizes this income based upon the Estimated Payment provided on the invoice in

the month the income was actually earned. Realizing that the payment may vary slightly from what is invoiced any adjustments to the payment are made in the month the funds are received.

9. **Insurance Claims** - Receipts arising from any Insurance Claim is not recorded as Revenue for reporting purposes. These receipts are to be recorded against the expense recognizing no profit was generated by this incoming cash transaction, the proceeds were intended to make Central Oklahoma Community Action Agency whole only.

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e., recorded as revenue when received) as deemed appropriate by the Finance Director.

Security Deposits: Tenant Security Deposits will only be recorded as income if the tenant has violated specific terms in their lease with Central Oklahoma Community Action Agency. Security Deposits are recorded as a Liability until tenant moves out of the facility, at which time the Program Director will determine damages to the premises, Finance will recognize as Income any funds not refunded to the residence at the time they vacate the property. Security Deposits are also used to repair any damages incurred by the tenant and/or clean the unit.

CONTRIBUTIONS RECEIVED

Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution - Unrestricted - An unconditional transfer of cash or other assets to Central Oklahoma Community Action Agency, or a settlement or cancellation of Central Oklahoma Community Action Agency's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Contribution - Restricted - A conditional transfer of cash or other assets to Central Oklahoma Community Action Agency, or a settlement or cancellation of Central Oklahoma Community Action Agency's liabilities, in a voluntary nonreciprocal transfer by other entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the Donor a right of return of the assets it has transferred to Central Oklahoma Community Action Agency or releases the donor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of Central Oklahoma Community Action Agency, the environment in which it operates, and the purposes specified in Central Oklahoma Community Action Agency's articles of incorporation and bylaws. Restrictions on Central Oklahoma Community Action Agency's use of an asset may be temporary or permanent.

Pledge - A written or oral agreement to contribute cash or other assets to Central Oklahoma Community Action Agency; i.e., a Promise to Give.

Accounting for Contributions

Upon receipt of the contribution, Central Oklahoma Community Action Agency shall distinguish between restricted, non-restricted, temporarily restricted, or permanently restricted donations. For management purposes, and due to limitations with the Accounting software, unrestricted donations are recorded as income when received and restricted donations will be recorded as Deferred Revenue until the restriction is removed from the donation from either identifying the use of the funds, or removing the restriction in the case of temporarily restricted funds.

For Audit purposes and in conformity with Generally Accepted Accounting Principles and Government Auditing Standards, Central Oklahoma Community Action Agency shall recognize contribution income in the period in which Central Oklahoma Community Action Agency receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional

promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, restricted, temporarily restricted, or permanently restricted net assets based upon the existence or absence of such restrictions.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

When Central Oklahoma Community Action Agency receives support in the form of volunteer labor, contribution revenue, assets or expenses shall be recorded if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
 - a. It is the type of service that would typically need to be purchased by Central Oklahoma Community Action Agency if it had not been contributed.
 - b. It requires specialized skills (i.e., formal education/training in a trade or profession), and
 - c. It is provided by an individual possessing those specialized skills.

Examples of contributed services received and recorded as income and expense by Central Oklahoma Community Action Agency include volunteer assistance and donated space.

Contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the services rendered.

Receipts and Disclosures

Any separate contribution received by Central Oklahoma Community Action Agency shall provide a receipt to the donor (regardless of whether requested). Any donor making an anonymous donation shall receive a receipt from the location in which the donation was received identifying the donor as "anonymous". All letters of acknowledgment are to be prepared at the Shawnee Corporate office to adequately document the donors' gift, and to meet all IRS regulations regarding such gifts (excludes Anonymous donations).

All operating locations for Central Oklahoma Community Action Agency shall maintain a pre-numbered receipt booklet in which to document all incoming receipts. A copy shall be retained at the location, and retained in the coupon book for audit purposes, and the original to be sent to the Corporate Finance office along with the yellow copy of the Deposit Slip, gift receipt form, any letter received with the donation, and the envelope with date stamp.

All acknowledgements (letter to conform to Internal Revenue Service requirements) prepared by Central Oklahoma Community Action Agency employees shall include the following information:

- 1 The amount of cash received and/or a description (but not an assessment of value) of any non-cash property received;
- 2 The date of the receipt.

Administrative Ear-Mark of Donations

It is the policy of Central Oklahoma Community Action Agency to ear-mark 5% of all donations made to Central Oklahoma Community Action Agency programs for unrestricted administrative use as determined by the Board of Directors and management. A disclosure of this policy shall be stated on the Donation forms used by all Central Oklahoma Community Action Agency programs.

BILLING/INVOICING POLICIES

Overview

The following is a list of items billed and/or accrued and received by Central Oklahoma Community Action Agency and the frequency with which each is billed.

Monthly Billings:

1. Grants (See separate section on "Policies Associated with Federal, State, and Local Awards" for billing policies associated with federal grant agreements). Draw requests can be made more than one time in any given month to support Cash Flow, these are limited to CSBG and DOE due to the amount of funds expended in each program.
2. Contracts - Transportation Contracts include Logisticare/Sooner Ride, and OHS (TANF).

Periodic Billings:

1. OADF grant allows for period billings. This being a small grant allows Central Oklahoma Community Action Finance department the flexibility of billing once or twice per grant period.

Responsibilities for Billing and Collection

Central Oklahoma Community Action Agency Finance Department is responsible for preparing and submitting the monthly Grant billings. Central Oklahoma Community Action Agency Finance Department is also responsible for the collection of those specific outstanding receivables. Central Oklahoma Transit System bills and collects the monthly contract billings. Finance also bills for the periodic grant billings.

Central Oklahoma Community Action Agency's Program Directors are responsible for preparing and submitting any periodic billing that are specific to a particular program (such as COTS or Housing). Program Directors are also responsible for the collection of the outstanding receivable for their program. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections).

Account Receivable Entry Policies

Posting of customer invoices to the accounts receivable subsidiary ledger shall be performed by the fiscal department at the time the billing is made. Posting of credit memos and other adjustments to customer account receivable shall also be performed by the fiscal department.

Classification of Income and Net Assets

All income received by Central Oklahoma Community Action Agency is classified as "unrestricted", with the exception of the following:

1. Grants and other awards received from the government agencies or other grantors, which are classified as temporarily restricted
2. Special endowments received from donors requesting that these funds be permanently restricted for specific purposes.

From time to time, Central Oklahoma Community Action Agency may raise other forms of contribution income, which carry stipulations that Central Oklahoma Community Action Agency utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, Central Oklahoma Community Action Agency shall have their auditor classify the income as Temporarily Restricted Income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), Central Oklahoma Community Action Agency will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the Central Oklahoma Community Action Agency Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as "unrestricted".

CASH RECEIPTS

Overview

Cash (including checks payable to Central Oklahoma Community Action Agency) is the most liquid asset an organization has. Therefore, it is the objective of Central Oklahoma Community Action Agency to establish and follow the strongest possible internal controls in this area.

Processing of Checks and Cash Received in the Mail

For funds that are received directly at Central Oklahoma Community Action Agency (i.e., payments not transferred directly to their bank accounts), cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

The receptionist/ mail clerk receipts each check and any cash that is received. The checks/cash is then presented to the Finance Department who prepares the Bank Deposit and deposits into the Bank. A copy of the stamped deposit slip is reviewed and compared to the daily receipts listing for discrepancies. The stamped deposit, with copies of the day's checks and receipts is then sent to the Finance Director for the account coding and posting to the General Ledger.

Each Central Oklahoma Community Action Agency site is responsible for receipting and depositing its own deposits following procedures similar to the one's stated above, where the funds are receipted by someone other than the person who takes the deposit to the bank. This establishes a level of internal control.

Endorsement of Checks

It is the policy of Central Oklahoma Community Action Agency that all checks received that are payable to Central Oklahoma Community Action Agency shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only
2. Central Oklahoma Community Action Agency

Timeliness of Bank Deposits

It is the policy of Central Oklahoma Community Action Agency that bank deposits will be made at least every third workday, unless the total amount received for deposit is \$500 or more, which will then be deposited that day. In no event shall deposits be made less frequently than weekly.

FDIC Policy

It is the policy of Central Oklahoma Community Action Agency to maintain deposits in FDIC insured institutions and to keep bank balances within the authorized limits to safeguard the assets of the organization.

Deposits at FDIC-insured institutions are now insured for up to \$250,000 per depositor, per insured bank, through December 31, 2013. On January 1, 2014, the standard insurance amount is scheduled to return to \$100,000 per depositor, per insured bank, for all account categories except Certain Retirement Accounts (includes IRAs) which will remain at \$250,000 per depositor, per insured bank.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a monthly basis, a detailed accounts receivable report is generated and reconciled to the general ledger by the Finance Director. All differences are immediately investigated and resolved, and the reconciliation is reviewed by the Finance Director.

Collections

Customers with unpaid balances receive invoice copies every thirty days. After a balance is unpaid for 60 days, an accounting department employee will contact the customer by telephone and attempt to collect the amount due. Details of collection efforts are noted and continue until balance is paid or marked for write-off.

Credit and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors. The Finance Director shall process and review all credits.

Accounts Receivable Write-Off Authorization Procedures

It is the policy of Central Oklahoma Community Action Agency to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the Finance Director. If an account receivable is deemed uncollectible, an aging is prepared for and reviewed by the Executive Director annually. Upon the Executive Director's concurrence, the account is written off.