

**FINANCIAL OPERATIONS
MANUAL
OF
ASSOCIATION OF
AMERICAN INDIAN
PHYSICIANS, INC.**

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SEPARATION OF DUTIES

Effective Date: 3/1/2018

Revision Date: October 5, 2018

Executive Director:

- Open mail with designee and create a check log initialed by both Executive Director and designee (provide to Accountant for journal entries and Officer Coordinator to track donations);
- Approve invoices, check requests, or purchase orders;
- Sign checks (over \$10,000 needs approval from an Officer, checks over \$10,000 require two signatures);
- Perform bank transfers pursuant to Officer approved invoice, check request, purchase orders;
- Approve expense reimbursements (Treasurer reviews all reimbursements to Executive Director);
- Execute contracts (over \$10,000 require approval by President or Secretary);
- Investigate discrepancies regarding banking transactions;
- Review reconciliations of bank statements, credit card statements, and expense reports;
- Approve payroll and other electronic funds transfers made by payroll company and during reconciliation;
- Review payment of payroll taxes during review of reconciliation;
- Periodically review the chart of accounts, journal entries, account codes and budget codes;
- Create budget with aid of Staff, Treasurer, and President; and,
- Oversee Gift Acceptance Policy and grants.

Office Coordinator:

- Receive bank statements and review reconciliation reports;
- Oversee all grant management requirements and restricted support;
- Track restricted support of each grant and provide to Executive Director to prepare grant reports;
- Acquire receipts for expense report and credit card statements and perform reconciliations;
- Ensure all systems are consistently backed-up online and verified by Executive Director;
- Maintain donor data base and track donations (checks, cash, and online donations), and print reports for Executive Director and Accountant to do journal entries;
- Generate acknowledgments for donors from the donor database for Executive Director to sign; and,
- In the absence of the Accountant, write checks to ensure adequate separation of duties. **Accountant:**
- Make journal entries into accounting system;
- Prepare checks from approved invoices, check requests, or purchase orders;
- Add general ledger account codes and budget codes as needed;
- Review reconciliations of credit card statements and expense reports;
- Reconcile bank account(s) and provide bank statement and report to Executive Director and Treasurer;
- Generate reports for the Board and Finance Committee; and,
- Prepare Form 990.

Officers - President or Treasurer, or President Elect in the absence of the President or Treasurer:

- Sign checks;
- Execute contracts (over \$10,000 require board approval);
- Approve invoices, check requests, purchase orders, and for bank transfers;
- Review bank transfers, reconciliation reports, and discrepancies;
- Provide financial reports to the Board (generated by the Accountant); and,
- Periodically review the chart of accounts, journal entries, account codes and budget codes.

SECTION 1

Status and Authority:

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1.1 Status:

The Association of American Indian Physicians (hereinafter referred to as “the Association”) is an organization exempt from federal income tax as set forth in Title 26 U.S.C § 501 (c)(3). The purpose of the Association is to pursue excellence in Native American health care by promoting education in the medical disciplines, honoring traditional healing practices, and restoring the balance or mind, body, and spirit.

1.2 Public Access to Records:

In order to comply with the federal and state laws, the Association will make available its *Application for Recognition of exemption Under Section 501(c)(3) of the Internal Revenue Code* (Form 1023) into perpetuity; its *Return of Organization Exempt from Federal Income Tax* (Form 990) for a period of three (3) years beginning on the date the return is actually filed; and, its annual registration with the Oklahoma Secretary of State (*Registration Statement of Charitable Organization*) for a period of five (5) years beginning on the date the registration is actually filed. *Schedule B* of Form 990 will be removed from Form 990 prior to public distribution, including to the Oklahoma Secretary of State. *Schedule B* of Form 990 is not required to be made available to the public. A copy of the above referenced documents will be available without charge, other than a reasonable copying fee, to any individual who makes a request for such copy in person or in writing during regular business hours.

1.3 Authority and Amendments:

This *Financial Operations Manual* document is intended to provide guidelines to the Finance Committee and to the Board of Directors of the Association (hereinafter referred to as “the Board”). Variation from such guidelines will not create any liability on behalf of the Association or any member of the Board of Directors. the Association reserves the right to modify, change, or amend such committees or policies at any time for any reason by the affirmative vote of a 2/3 vote of a quorum of the Board at any meeting if notice of the proposed alteration, amendment, or revision provided that the nature of such modification, change, or amendment was placed on the agenda and the Board was notified a minimum of ten (10) days prior to a vote.

1.4 Accounting Staff:

The Association may use staff or Independent Contractors to fulfill its accounting needs.

SECTION 2

Internal Accounting Procedures:

Effective Date: 3/1/2018

Revision Date: October 5, 2018

2.1 Oversight:

This *Financial Operations Manual* with the *Separation of Duties*, named by position, will be provided to the Board and the Finance Committee. Changes in persons named by position will automatically be adopted and reflected in the following policies. Changes in the *Separation of Duties* will be reported to the Board at the next regular meeting. Nepotism is strictly prohibited among any individuals performing duties and any Committee Member or Director who has responsibilities under this document. It is imperative that these procedures are followed to facilitate compliance with the documentation requirements of grantors and to maintain the internal controls set up by the Association. Additionally, to ensure the Association's compliance with generally accepted accounting principles, federal guidelines, and grants, the Association will engage an outside CPA firm to audit or perform a review of its accounting records as required by federal or state grants.

2.2 Accounting Period:

The accounting period of the Association is a fiscal year beginning of July 1 to June 30.

2.3 Accounting Method:

The Association will utilize the accrual method of accounting.

2.4 Accounting System:

The Accountant will make journal entries into the accounting system (hereinafter referred to as "journal entries") including invoices. Journal entries will contain a detailed description to allow for complete understanding of the transaction. The Treasurer and Executive Director will periodically review the chart of accounts and journal entries. Only the Accountant or Office Coordinator may make adjusting journal entries.

2.5 Accounts, Online Back-ups, and Passwords:

All accounts will have a minimum of two (2) approved users (signers), with one (1) being a member of the Board. (Board will need to appoint a board member annually) Bank accounts will have read only access. Passwords will be maintained by the Office Coordinator and Executive Director with the list of approved users. Testing of any back-up is to be completed at least quarterly by the Office Coordinator, and verified by the Executive Director.

2.6 Account Coding:

All account coding information used for check requests, deposits, cash receipts, or other accounting documents can be found on the chart of accounts. The Office Coordinator will ensure account coding is used when submitting check requests and receipts.

Whenever necessary, a new general ledger account code or budget code will be assigned by the Accountant. It is the responsibility of the Executive Director and Treasurer to periodically, at a minimum of annually, to perform a review of the chart of accounts, general ledger account codes and budget codes and request the Accountant to delete any unused or obsolete accounts.

The coding of all expenses will be on a functional basis (i.e. travel, supplies, etc.) and recorded to the programs for which the cost was incurred. Costs which cannot be directly identifiable to a specific program will be allocated among the various programs in relation to the common benefit received. Allocations made will be given consistent treatment from period to period. Allocation methods and basis used will be determined by the Accountant with consultation of the Treasurer and Executive Director.

2.7 Reconciliations and Accuracy:

A reconciliation of the bank statement(s) will be done by the Accountant. The Office Coordinator will ensure all supporting documentation needed for the reconciliation processes are provided to the Accountant. A reconciliation of the expense report(s) and credit card statements will be done by the Office Coordinator and approved by the Executive Director. The Accountant will make the journal entries for the expense reports and credit card statements pursuant to the reconciliation reports. The Office Coordinator and Accountant will have read only access for any online banking. The Office Coordinator and the Accountant will not have check signing authority.

Reconciliation reports with the corresponding bank statements, expense reports, or credit card statements will be provided to the Executive Director and Treasurer for review. This review will be documented by initials or confirmation email approval of the reviewers, the date of the review, and maintained for the audit.

The Executive Director will investigate discrepancies in the reconciliations and banking transactions including all significant:

- Unmatched data in cash receipts and cash disbursement journals that did not clear the banks within a reasonable amount of time;
- Unmatched items on bank statements judged erroneous;
- Mismatched items in cash receipts, payments, and bank statement items;
- Checks over six months old in conjunction with the reconciliation process;

The Executive Director will notify the Treasurer of any discrepancies that appear suspicious in nature.

2.8 Financial Reports:

The Association will provide consistent financial reports, generated by the Accountant, at least quarterly to the Board. The reports include:

- Statement of Financial Position (Balance Sheet) as of the previous month end;
- Statement of Activities (Profit/Loss) for the period ended on the previous month-end with a comparison to the budget for analysis purposes; and,
- Other specific reports requested by the Board or Finance Committee.

2.9 Contracts and Authority:

Contracts not provided for in the Board approved budget must be approved by the Board. Contracts provided for in the Board approved budget and ten thousand dollars (\$10,000) or less may be executed by the President or Executive Director without additional approval from the Finance Committee or Board. Budgeted contracts exceeding ten thousand dollars (\$10,000) must be approved by the Board prior to execution by the President or Executive Director.

The Executive Director and President have authority to sign grant agreements and gift agreements. Such agreements exceeding ten thousand dollars (\$10,000) must be reported to the Board at the next meeting of the Board. The Board will be made aware of all grants submitted and received and the nature of the restrictions on such grants. Only the Executive Director and President shall have the authority to sign contracts or gift agreements on behalf of the Board.

Other Officers and Committee Chairpersons do not have the authority to contract on behalf of the Board unless written consent is given after a vote of the Board. The Form 990, the Registration Statement of Charitable Organizations, the audit engagement letter, and debt agreements must be signed by the President. The Treasurer may sign in the absence of the President.

2.10 Independent Contractors:

Before payment is issued, Independent Contractors paid \$600 or more will supply a completed Form W-9 or the contract must have payee identification or Social Security Number and address of the contractor or in the case of a corporation which requires a 1099, the EIN. IRS Form 1099 Miscellaneous will be issued if required by the IRS.

Individuals qualifying as Independent Contractors for contracts exceeding the value of ten thousand dollars (\$10,000) will sign an Independent Contractor Agreement. The procedure for hiring a consultant is to prepare a contractual agreement detailing the following items:

- Detailed description of services to be performed and time line for completion;
- Rate of pay and when payment will be made;

- What expenses, if any, will be reimbursed; and,
- Worker's Compensation Affidavit when appropriate.

Two copies of the contract should be made. After the appropriate approval process, the Executive Director or President and the consultant should sign both copies. When fully executed, one copy should remain with the consultant and the second copy should remain with the Association. If services are extended beyond the contract's time frame or additional money is required, a new contract, or an addendum must be in writing following the same approval process of the original contract.

SECTION 3

Cash and Investments:

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3.1 Cash and Check Receipts:

The mail must be opened by the Executive Director and the Office Coordinator or a designee. The two (2) individuals opening the mail will receive checks and cash to ensure adequate dual controls. A check log will be created and initialed by both individuals. From such check log, the Accountant will create and make the deposits and the corresponding journal entries. Furthermore, the Office Coordinator will use the check log to update the donor data base.

If cash is received, a receipt will be issued to the individual and a duplicate copy will be kept as backup for the deposit and logged on the check register. The cash and cash receipts log will then be placed in a sealed bank bag and secured until a deposit can be made as set forth below. Cash received will be counted by two (2) individuals with the amount initialed by both counters. The cash and documentation will be provided to the Accountant to make the journal entries in the accounting system. Credit card donations or other online donations may be processed through an online portal. The Office Coordinator will monitor all such activity, update the donor data base, and generate reports for the Accountant which will be used to make journal entries. In addition, such report will be given to the Executive Director for oversight and monitoring. All logs and reports will be filed by month. Acknowledgements will be generated from donor tracking software by Office Coordinator Affairs and provided to the Executive Director for execution. Acknowledgements will be written in accordance with Section 5.7.

3.2 Cash Disbursements:

All requests for disbursements including checks, ACH payments, and transfers between accounts will be accompanied by an invoice, purchase order, contract, payment request form, or other form of payment request including all supporting documents. The Office Coordinator will prepare check requests as needed. The documentation will prove the legitimacy of the request and substantiate the payment. Payment requests will be approved by the Executive Director, or President in the absence of the Executive Director. Completed payment request documentation with approvals will be forwarded to the Accountant to generate checks. The Accountant will process all payment request at least twice per month. The Office Coordinator is responsible for acquiring a signature when required and mail/send all checks to the vendors. The Executive Director will verify the accuracy of prices of recurring purchases. All checks with corresponding invoice documentation and completed payment request forms will be filed by vendor. Early payment discounts will be taken advantage of whenever feasible.

Payroll will be approved by the Executive Director and sent to a payroll company for payment. The payroll company will provide necessary information to make journal entries to the Executive Director and Accountant including payroll and payroll taxes. The payment of payroll and payroll taxes will be verified during the reconciliation process by the Accountant and review of the reconciliation reports by the Executive Director and Treasurer.

3.3 Prohibitions:

The following procedures regarding check writing are prohibited:

- Checks written to CASH;
- Checks signed with no payee indicated on the check face;
- Checks written to and signed by the same person;
- Checks approved and written by the same person;
- Use of credit cards for cash or ATM withdrawals; and,

Note: Cash may be withdrawn by the Executive Director for Association events and the Executive Director will be responsible for such cash.

3.4 Check Signers:

The Association will give check-signing authority to the Executive Director and to Officers of the Board. Checks of \$10,000 or less may be executed without further approval. Two (2) signatures are required on all checks exceeding ten thousand dollars (\$10,000) or more.

The deliberate splitting of vouchers or invoices which have the sole purpose or effect of avoiding the parameters of this authority is expressly prohibited. Checks may not be signed without appropriate authorization.

The Executive Director will oversee the proper notification to the depositories whenever changes are made in the authorization of check signers. The President or Treasurer upon approval of the Board may revoke check signing authority of any individual. Any person who is no longer entitled to sign checks will be notified in writing.

Check Writers and Safeguarding of Checks:

3.5

The Accountant will write checks. In the absence of the Accountant, the Office Coordinator may write checks. The Accountant will keep unused check supplies secured. The Office Coordinator will maintain written checks until signatures are acquired. Signed checks which have not been mailed will be secured until mailed.

3.6 Voided Checks:

Every check that has been voided, regardless of the reason, will be recorded in the accounting system. If voided checks are physically available, they will be marked "VOID" and tracked in the accounting system. If unavailable, the Executive Director will contact the bank to stop payment and contact the Accountant to void and reissue the check.

3.7 Insufficient Funds Checks:

Checks returned by the bank because of insufficient funds will be booked as accounts receivable. If the checks in question are eligible for redeposit, the subsequent deposit will reduce the receivable account accordingly. If the checks in question are prohibited from redeposit, collection efforts will be made or such amount will be booked as bad debt.

3.8 Electronic Transfers:

Requests for transfers between bank accounts and ACH payments will be made in accordance with the cash disbursements process including required approvals. The Executive Director may make transfers between bank accounts and electronic payments to third parties. Such transfers and payments will be documented by a memo to the bank file with the corresponding approved documentation. The Accountant and Treasurer will verify transfers during the reconciliation and the review of the reconciliation report.

3.9 Deposits:

Bank deposits will be completed weekly, at a minimum, unless such amount is considered material at which time it will be deposited as soon as possible. Deposits will be secured until such time as they are deposited. The dated and stamped copy of the deposit ticket received from the bank will be attached to the supporting documentation. Each deposit will then be recorded by Accountant and filed by the Office Coordinator with supporting documentation including the deposit ticket.

3.10 Expense Reimbursement:

The Association will reimburse for expenses incurred while doing business for the Association if appropriate documentation is provided to the Association. Accounting of expenses should be submitted to the Office Coordinator within thirty (30) days of the date the expense is incurred and receipts exceeding thirty (30) days of the date the expense is incurred must be reviewed prior to reimbursement by the Finance Committee and may or may not be reimbursed as determined by the Board. Reimbursement forms must be signed by the individual being reimbursed and approved by the Executive Director.

All Executive Director requests for reimbursement will be sent to the President and Treasurer for review, who will have three days to review for approval. If neither President nor Treasurer has responded by the end of three (3) days, the reimbursement will be considered approved for payment so as to avoid a delay. If the President and Treasurer both respond and disagree, the approval shall be considered the final answer.

The following items will be included on the expense reimbursement request:

- Name of employee;
- Date of expense;
- Purpose of expense; and,
- Itemization of expenses with original invoice documentation.

Various expense limitations and guidelines have been established as follows:

Personal Mileage – Volunteers should not expect mileage reimbursement. Employees, if any, will be reimbursed for use of their personal cars on organization business at the IRS rate. Commuting mileage will not be reimbursed.

Public Carrier - The most cost-effective means of travel, such as coach airfare, will be used. Any deviation from this procedure will be pre-approved by the Treasurer.

Meals - Reasonable meal costs will be reimbursed for business meetings and during business travel.

Unallowable Expenses - Reimbursement will not be made for items of a personal nature or for entertainment. These expenses include but are not limited to movies, alcoholic beverages, laundry, and expenditures made for non-employees.

Any expense reimbursement must include documentation that includes who, what, when, where, how, and why. All expenditures must be documented with receipts; expenditures without receipts will not be reimbursed without prior approval of the Finance Committee.

3.11 Credit Cards:

Approval and Limitations:

The Board will determine who will have access to a credit card. The credit card must be under the name of the Association and under the EIN of the Association so only the Executive Director, President, or Treasurer will be able to make changes to such credit card including a change of billing address, a change of authorized users, or canceling such card. Any credit card utilizing the Social Security Number of an individual will be the sole responsibility of such individual who used their Social Security Number to open a credit card account in the name of the Association.

Receipts:

Card holders must submit all receipts weekly, if possible, and at a minimum monthly, to the Office Coordinator. The Office Coordinator will assign an account code to each

receipt for appropriate expense allocations and provide to the Accountant to make journal entries.

Meal receipts must include the business purpose and name(s) of those involved in the meal. Both itemized meal receipts and any card receipts showing a tip are required when purchased with a card.

Statements and Reconciliation:

Credit card statements will be provided electronically or mailed to the office of the Association and reviewed by the Executive Director. The Office Coordinator will reconcile the statements and reconciliation reports with the statements will be provided to the Executive Director and to the Treasurer for review. The Accountant will write checks in accordance with the cash disbursements process and make the journal entries. The Office Coordinator will file statements with the receipts by month. The Office Coordinator may not have access to the credit card. Any discrepancies or improper use will be reported to the Board. If the Executive Director is the card holder, the Treasurer must approve and review the credit card reconciliation report.

Improper Use or Loss:

Cards will not be used for personal charges at any time. If personal charges are made accidentally, such card holder will inform the Executive Director or Treasurer, and immediately reimburse the Association.

Any card holder who makes a charge to the card and does not provide a corresponding receipt may be held accountable for such charges including reimbursement to the Association. Individuals may, at the discretion of the Executive Director pay the amount in full or may choose to make payments or if an employee, via deductions from pay until the unauthorized amount is fully repaid. Such deductions will be in the amount of the unauthorized purchase(s), but if a deduction for such amount would take the employee below minimum wage for the workweek in question, the deductions will be in two or more equal increments that will not take the employee's pay below minimum wage for any workweek involved.

Unauthorized charges will be immediately reported to the Executive Director or Treasurer. Repeated non-compliance by a card holder will result in the loss of card privileges and possible removal of the employee. Lost or stolen cards will be immediately reported to the Executive Director or Treasurer so appropriate action may be taken.

SECTION 4

Budgeting, Reserves, and Investments:

Effective Date: 3/1/2018

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4.1 Budgeting:

The Board is responsible for approving the annual budget. The Executive Director with the aid of the staff, President, and Treasurer will develop an annual budget for the next Fiscal Year to be approved in 4th quarter of the Fiscal Year; however if an unforeseen event occurs preventing approval in the 4th quarter, the Association will operate from the prior budget for up to sixty (60) days giving the Board time to approve the new budget. This budget will reflect ongoing expenses plus special projects as reflected in approved budgets for the coming year. It is acknowledged that due to the nature of the Association's funding, the budget may change, with Board approval, to reflect substantial changes such as a new grant. The Finance Committee will have the flexibility to reallocate dollars within the budget to the extent the total budget approved by the Board is not exceeded. The Treasurer will report any such reallocations to the Board.

The Executive Director may make expenditures of unbudgeted funds not to exceed ten (10) percent of the amount budgeted. Expenditures in excess of ten (10) percent of the amount budgeted will require approval of the Finance Committee prior to the expenditure of such funds. However, salary and/or benefit modifications will require prior approval of the Board.

Any expenditure in excess of the annual budget will be reported by the Treasurer to the Finance Committee and the Finance Committee will report such expenditure to the Board at the next Board meeting.

4.2 Reserves and Spending Policy:

Reserves may be utilized in preparation of the budget with notification to the Board prior to a vote to approve the budget so the Board is aware reserves are being utilized to balance the budget. Reserves spent outside of the budget must be approved by the Board. Reserves are likely to be unrestricted dollars; however, should restricted funds be held in a reserve account, all conditions of the restrictions must still be met.

SECTION 5

Gift Acceptance Policy:

Effective Date: 3/1/2018

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5.1 Authority:

The Executive Director or other designated Officer will be responsible for the implementation of this Gift Acceptance Policy and ensure all gift agreements are executed by all involved parties. However, because of the complexity of some gift proposals, gifts other than cash, cash equivalents, marketable stocks, and/or securities will require approval of the Board. The Association reserves the right to decline any financial commitment, gift, or bequest, including livestock, real estate, or other tax burdened assets, as well as the right to determine how a gift will be credited and/or recognized.

Any exceptions to this Gift Acceptance Policy may be made only in exceptional circumstances, on an individual basis, and will require the approval of the Board.

A gift where the donor maintains control may be classified as an incomplete gift by the IRS and therefore not meet the requirements to be considered tax deductible by the donor. Any gift where a donor requests to retain control, or believes they will be able to direct the gift after the gift is made, should be reviewed by an attorney prior to accepting the gift.

5.2 Gifts:

Legal or tax counsel is recommended for, but not limited to, gifts of closely held stock, real estate, gifts requiring the Association to assume an obligation, or joint ventures with for-profit entities. The Association is restricted from holding property in trust for any other entity or from being named as a Trustee. It is understood that circumstances may require a case-by-case review and provisions that are not covered by this policy and that it will be the responsibility of the Executive Director to notify the Board of circumstances which may cause the Association to assume an obligation prior to execution of the any gift agreement.

Cash and Cash Equivalents: Cash, checks, donations via credit cards, and other online donations may be accepted without further review.

Stocks and Bonds: The Board will be notified of gifts of securities and/or bonds greater than ten thousand dollars (\$10,000). In addition, gifts of publicly traded securities and/or bonds may be treated as cash and may be held for a reasonable period as determined by the Board. The donor will be responsible for providing an independent appraisal on the value of stock and for completing I.R.S. Form 8283 if the value of the stock exceeds five

thousand dollars (\$5,000). The Association will not pay any income tax liability generated by the sale of stock without a specific written agreement approved by the Board and executed by the Association and the donor. Gifts of closely held stock will require approval by the Board.

Real Property: Prior to acceptance of a gift of real property, the Board must approve the gift based on the following information provided by the donor:

- Real estate deed;
- Title Report unless determined otherwise by the Finance Committee;
- Real estate tax bill and proof of payment as needed;
- Plot plan;
- Substantiation of zoning status;
- Information concerning potential environmental risks, including a clean Phase I report;
- Indemnification from any liability related to the property; and,
- Administrative costs and/or oversight required to manage the property.

Mineral Interests: The Association may accept royalty interests or mineral interests. The donor will be responsible for the valuation of such interests. Working interests will not be accepted by the Association but may be donated to a community foundation for the benefit of the Association.

Life Insurance: Life insurance policies which have been fully paid will be accepted in cases where the Association may be the owner and the beneficiary. Life insurance policies with premiums may be accepted if the donor will provide donations adequate to pay the premiums or provide for the premiums to be paid from accumulated dividends or cash value. The Association will retain the right to surrender any policy for its cash surrender value at any time as determined by the Finance Committee.

Personal Property: Personal property which is not consumable, such as works of art or motor vehicles, will be sold unless utilized by the Association. Should the Association maintain personal property the donor should provide expected costs and administrative oversight required to manage such gift. The Association will consider the expense of maintaining such gift prior to acceptance.

The Association may notify donors of Form 8283 *Noncash Charitable Contributions* for donations exceeding five hundred dollars (\$500). Form 1098-C *Contributions of Motor Vehicles, Boats, and Airplanes* will be utilized by the Association to document donations of such items. In addition, the Association may refer to IRS Publication 526 for guidance when determining the required paperwork for donations of personal property.

The donor will be responsible for valuations for personal property, also known as in-kind donations for the donor's tax purposes. The Association may value such donations for internal purposes only. The Association will complete Form 8282 *Donee Information Return* concerning the disposal and/or use of donated property (personal or real) as

needed.

Bequests: Bequests may be accepted in accordance with the above categories.

5.3 Valuation:

Donors are responsible for obtaining their own appraisals for tax purposes of real property or tangible or intangible personal property being given to the Association and for any fees or other expenses related to such appraisals.

The Association retains the right to obtain its own qualified appraisals of real property or tangible or intangible personal property being offered as a gift at its own expense.

The Association encourages gifts of personal property which can further the purpose of the Association. All in-kind donations must be inspected prior to use. Any items which cannot be used will be discarded or will be donated to another 501(c)(3) as determined by the Board and the Association will complete Form 8282 as needed. The Association will not determine the value of in-kind donations for the donor. For purposes of the Association, the value of donations will be determined and recorded for internal accounting and tracking purposes.

5.4 Responsibility:

Prospective donors will be responsible for their own legal, accounting, appraisal, transportation, and other fees related to gifts, unless determined otherwise by the Board.

Prospective donors will be strongly encouraged in all cases to consult with their own independent legal and/or tax advisors about proposed gifts, including tax and estate planning implications of the gifts. No representative of the Association will provide legal or tax advice to any donor or prospective donor.

Upon request, representatives of the Association may provide to the donor sample bequest language for restricted and unrestricted gifts, to ensure that a bequest is properly designated. The Association may also provide, upon request, specimen trust agreements for review and consideration by the donor and his or her advisors. The specimen or sample nature of such language or agreements will be clearly indicated on all documents given to donors, and donors will be advised that consultation with their own legal advisors is essential prior to use of such standard language or specimen agreements.

Names of donors and amounts of their gifts may be made public unless the donor requests such information be kept confidential. If the donor requests confidentiality, all information obtained from or about the donor or prospective donor will be held in the strictest confidence by the Association, except as required otherwise by the IRS (Form 990 Schedule B) or by state or federal law.

5.5 Gift Agreements:

The President or Executive Director is authorized to enter into gift agreements on behalf of the Association and to execute any and all documents necessary or appropriate to consummate such agreements. Agreements of ten thousand dollars (\$10,000) or more will be provided to the Board for review prior to depositing the funds in case such funds must be returned. Executed agreements will be provided to the Accountant to make journal entries and to the Office Coordinator to ensure such funds are appropriately tracked in the donor tracking software.

Unrestricted gifts will be encouraged unless the donor indicates that he or she is willing to make only a restricted gift, or if the option of a restricted gift will otherwise significantly increase the chances of obtaining a gift from the donor.

In drafting instruments for the gift of restricted funds to the Association, donors and their advisors will be encouraged to use language that would permit application of the gift to a more general purpose if, in the opinion of the Associations Board, the designated purpose is no longer feasible or would not meet the intent of the donor.

The Association will pay no commissions or finder's fees as consideration for directing a gift to the Association, or to any of the Association's affiliates.

5.6 Types of Contributions:

Unrestricted Contributions: Unrestricted Contributions are charitable contributions received for general purposes and without written instructions by donor as to specific use or time restrictions. Such contributions will be placed in Unrestricted Assets. The Board may vote to move Unrestricted Assets to Permanently Restricted Assets such as an endowment.

Temporarily Restricted Contributions: Temporarily Restricted Contributions are contributions received with written instructions from the donor that restrict the use of funds to a specific purpose, time of use, or both purpose and time of use. Temporarily restricted contributions also include responses to solicitations from the Association for donations for specific purposes or for attendance at an event for which the proceeds will be used for a specific purpose.

Permanently Restricted Contributions: Permanently Restricted Contributions are contributions received under written instructions from the donor that stipulate the related donations are to be maintained permanently and either (a) require that the income derived from the donated assets be used for specific purposes or (b) permit the income derived from the donated assets to be used for any purpose. Permanently restricted gifts will be allocated to Permanently Restricted Assets until such assets are released from restriction. If a Permanently Restricted Asset becomes unrestricted, such assets will be placed in

Unrestricted Assets and may be designated for use by the Board.

All Temporarily Restricted Contributions in excess of ten thousand dollars (\$10,000) and Permanently Restricted Contributions will be in writing.

NOTE: Beginning December 15, 2019 the “Temporary Restricted” designation will be eliminated and these policies will be automatically revised to meet the new requirements.

Releases from Restrictions: Generally Accepted Accounting Principles stipulate that temporarily restricted contributions must be released from restriction when:

- The stipulated time has elapsed;
- The stipulated purpose for which the resource was restricted has been fulfilled (i.e., a qualifying expense has been incurred); or,
- Both of the above if the contribution was both purpose and time restricted.

If two (2) or more temporary restrictions are imposed on a contribution, the contribution is released from restriction when the last remaining restriction has expired or been met.

The Finance Committee will participate actively in the expenditure of Restricted Assets through ongoing review of restricted account balances and qualifying expenditures. In most cases, donor intent is best fulfilled by the expenditure of restricted contributions as soon as reasonably feasible. Prior to any deviation from a restriction, the President will receive written approval from the donor to modify or remove the restriction unless modification language is already provided for in the grant or gift agreement. Such written documentation will be used by the Accountant to make the needed adjusting journal entry.

If the restriction(s) placed on the use of the gift have been rendered illegal, unreasonable, or unable to be fulfilled, the Association will consult with the donor, if available, or in the alternative with the Board, or a court with jurisdiction, to remove or modify the account restriction(s). If termination of the restriction(s) is sought, the Association will seek to use such funds for a purpose that reflects as near as possible the original restriction(s) of the donor. Donors will be requested to allow for modification of the gift agreement by adding the following contingency clause to all temporarily and permanently restricted gifts:

“If circumstances should arise in the future that make it illegal, impossible, or impracticable to use the gift for the specified purpose provided herein, then the Finance Committee may submit a request for modification of the purpose to the Board of Directors of the Association. If, in the best judgment of Board of Directors of the Association, such modification is deemed prudent and in keeping with the original intent of the donor, the Board of Directors of the Association may modify the purpose and may authorize the use of the spendable income for the modified purpose. In the event of such modification, the name of the donor will continue to be associated with the gift in accordance with this Gift Agreement.”

5.7 Acknowledgement of Contributions:

The Association will acknowledge all contributions. It will be the responsibility of the Office Coordinator to prepare all contribution acknowledgements and provide to the Executive Director to sign.

The Association will acknowledge the receipt of all gifts in a manner that satisfies the IRS substantiation requirements set forth in Title 26 of the Internal Revenue Code, Section 170(f)(8) for the deduction of charitable gifts by individual donors by providing donors acknowledgments with the following **required** information:

1. The amount of cash and a description of any property (but not value) other than cash contributed;
2. Whether the Association provided any goods or services in consideration, in whole or in part, for any property described above in number 1;
3. A description of any goods or services and a good faith estimate of the value of any goods or services referred to above in number 2;
4. If no goods or services are received, "*No goods or services were received.*" must be stated on the acknowledgement letter or the donor may be denied use of the acknowledgement letter by the IRS;
5. The date of the donation, specifically listing the year;
6. For in-kind donations, a Non-Cash Donation Receipt form will be provided to the donor when possible. In addition, forms such as 8283 and 1098-C will be utilized as needed; and,
7. Employer Identification Number (EIN.)

5.8 Contributions to a Community Foundation to Benefit Foundation:

The Association may utilize a community foundation to manage certain types of gifts. Prior to donating or directing a donor to donate to a community foundation, a written agreement must be established between the Association and the community foundation outlining the rights of the Association in accessing such donations in the future.

It is recommended that a community foundation be considered to aid with the following types of gifts:

- Charitable Gift Annuity;
- Charitable Remainder Trusts;
- Split Interest Gifts;
- Real Estate subject to a Life Estate;
- Joint Venture with a for profit entity or partnership in an LLC;
- Request for the Association to act as a trustee;
- Royalty and intellectual property rights;
- Closely Held Stock;
- Cattle or commodities; and,

- Any asset with an exchange floor for which the Association does not feel comfortable accepting in accordance with the above policies.

5.9 Fundraising Activities:

All fundraising activities must be approved by the Executive Director prior to implementation to ensure such activities are conducive to the purpose of the Association. Appropriate oversight, as determined by the Executive Director, will be required to ensure funds are appropriately tracked and donor intent is fulfilled.

Therefore, any individual, including donors, supporters, staff, Directors, or Officers who wish to create an event or gathering where money will be raised or solicited on behalf of the Association, must abide by the following requirements:

- A letter or email must be sent to the Executive Director, describing the activity, date, time, and location and purpose;
- The proposed activity must be approved by the Executive Director in writing;
- A member of the Association staff must attend or monitor the activity;
- All donations should be given directly to the Association staff member to implement the cash receipts policy as set forth in Section 3.1 of this *Financial Operations Manual*;
- Donor information will be provided to the Office Coordinator to update the donor data base and to prepare the acknowledgment letters for the Executive Director to execute; and,
- Checks and cash with the appropriate check and cash log will be provided to the Office Coordinator to make the appropriate deposits and the Accountant to make the appropriate journal entries.

SECTION 6

Fixed Assets:

Effective Date: 3/1/2018

Revision Date: October 5, 2018

6.1 Capitalization:

All assets with a useful life of greater than one year and costing more than five thousand dollars (\$5,000) per item will be capitalized and will be recorded in the fixed asset records.

Any asset that does not meet this criterion will be expensed such as supplies, minor equipment, repairs, or maintenance.

The cost basis of furniture and equipment assets will include all charges relating to the purchase of the assets including the purchase price, freight charges, and installation if applicable.

6.2 Depreciation:

Depreciation methods/lives for assets will be based on the estimated useful life of the asset.

6.3 Dispositions:

Capital assets may be sold or traded-in on new equipment.

Any asset that is missing or has been stolen will be reported in writing to the Board and as soon as possible. The description, serial number, and other information about the lost item will be included in the report.

The Executive Director will determine the proper course of action and will notify the Association's insurance carrier and any outside authorities if deemed appropriate. If unrecovered, the asset will then be removed from the assets records.

Unusable assets will be evaluated and may be disposed of as needed and reported by the Executive Director to the Accountant and Treasurer as soon as possible.

SECTION 7

Loans and/ or Debt:

Effective Date: 3/1/2018

Revision Date: October 5, 2018

7.1 Loans:

The Association prohibits loans to staff, Directors, Officers, or committee members.

7.2 Authorization to Assume Debt:

The Board must vote on a plan to service debt or must approve expenditures of current funding to fund debt prior to incurring debt. No individual will incur debt on behalf of the Association without a current plan or funding in place to service such debt, unless such debt is provided for in the budget or approved budget variations. Only the President, or President-Elect in the absence of the President may execute a debt agreement.

The Board's authorization to assume debt will be documented in the minutes of the Board meetings. The original debt agreement will be maintained by the Executive Director and the existence of these instruments will be verified periodically by the President.

7.3 Long-Term Debt:

Current portions of long-term debt will be included with current liabilities on the financial statements. Only the noncurrent portion of the long-term debt will be included in the long-term debt section of the financial statements. The current portion of debt is considered to be the amount of principal due to be paid over the ensuing twelve (12) month period, or any debt expected to be refinanced within the same twelve (12) month period.

7.4 Refundable Advances:

Cash receipts in excess of costs incurred on conditional grants are to be reflected as temporarily restricted until they are expended for the purpose of the grant, at which time they will be considered earned and recognized as unrestricted support.

SECTION 8

Signature Page:

Effective Date: 3/1/2018

Revision Date: October 5, 2018

THIS FINANCIAL OPERATIONS MANUAL OF Association of American Indian Physicians, Inc. is adopted by the Board of Directors this 1st day of March, 2018.

Dr. Ron Shaw, President

Dr. Dorothy Rhoades, Secretary

END