OCEAN AVENUE ASSOCIATION (“OAA”)  
FINANCIAL POLICIES AND PROCEDURES (“FPP”)  

1. Finance Committee  
The purpose of the Finance Committee is to provide financial support and infrastructure to promote the integrity of OAA’s financial and accounting functions and to safeguard the assets of the organization.

1.1 Responsibility  
The Finance Committee is responsible for the periodic review of OAA’s financial condition and for making recommendations to the Board of Directors ("Board") concerning financial matters.

1.2 Members  
The Finance Committee is comprised of the Treasurer, the Executive Director, and such other members as may be appointed to the committee by the Board from time to time.

1.3 Meetings  
The Finance Committee will meet from time to time at the discretion of the Treasurer or as requested by the Board. Meetings will abide by applicable Brown Act requirements.

1.4 General Financial Policies  
The Board formulates financial policies, delegates the administration of the financial policies to OAA’s staff, and reviews financial operations and activities. The Executive Director has responsibility for all operations and activities, including financial management. Financial management duties include oversight of staff and contractors providing financial services to the organization. The Board will approve these FPP. The FPP will be reviewed and revised on a regular basis by the Finance Committee with input from staff. The Board will also approve the proposed annual budget for each fiscal year at a regularly scheduled meeting of the Board at or prior to June of each year. The annual budget is subject to amendment from time to time as necessary or appropriate.

The Treasurer and the Executive Director will review OAA’s monthly financial statements. At each meeting of the Board, a monthly financial statement will be distributed for Board review and for public comment. The monthly statement will show a comparison of budgeted to actual receipts and expenditures for the current and prior month. The monthly statement will also include a reconciliation of active grants showing amounts received, spent, and outstanding.

On an annual basis, the Finance Committee will prepare financial statements for review by outside auditors. The annual financial statements will contain a balance sheet and related statements of financial position, activities, cash flow and expenses.

All documents will be signed in ink or other acceptable forms of execution (i.e., DocuSign or PDF).
1.5 501(c)(3) Compliance
OAA is exempt under section 501(c)(3) of the Internal Revenue Code from federal income tax. As such, OAA’s officers, directors and employees have ongoing responsibilities to ensure that the organization maintains its tax-exempt status and meets its ongoing compliance requirements. The Executive Director, in collaboration with the Treasurer, will monitor compliance.

2. Insurance
The Board, with the advice and recommendation of the Executive Director, will ensure the organization has appropriate insurance coverage for its leadership and operations. This includes, but is not limited to, Directors & Officers liability coverage and comprehensive general liability coverage.

3. Operating Reserve
OAA derives approximately 90% of its annual budget from assessment payments from property owners. OAA has limited fundraising capacity and is required to raise at least 1% of its annual budget from sources other than assessments. OAA does not receive the first assessment payment for each fiscal year until January. Accordingly, OAA will seek to maintain approximately seven (7) months of operating funds at the end of each fiscal year to support operations until the first payment is received in the following fiscal year. The amount of funds carried forward in the OAA operating reserve will be calculated at the commencement of each fiscal year as part of the annual budget preparation process.

4. Budget and Grants

4.1 Budget Approval
Budget approval is a multi-step process with ultimate approval by the Board. Once the proposed budget is completed by the Executive Director and Treasurer, it will be submitted to the Board for review and approval at a regularly noticed meeting of the Board. The Board will approve each proposed annual budget prior to the start of the applicable fiscal year. The budget may be updated or amended from time to time with approval of the Board consistent with the benefit district’s management plan.

The Treasurer and Executive Director will lead the process of developing the budget each fiscal year. OAA’s budget process will be based on the current year’s budget with such revisions and additions as are deemed necessary and appropriate by the Finance Committee in light of current circumstances and OAA’s long term objectives.

Overall management and monitoring of the budget during the fiscal year is the responsibility of the Treasurer and the Executive Director. Once a budget has been approved, only the Board may approve any changes to the budgeted expenditures during the fiscal year.

4.2 Grant and Contract Management
The Executive Director should obtain approval of the Board for contracts and grants with a value above $50,000 or for either of the following:

1. Activities not included in the approved budget.
2. Material grant changes or amendments

Upon approval by the Board, the Executive Director will have the authority to execute the contract or grant proposed.

OAA’s by-laws (at Article V, Section 11) contain policies with respect to the recusal by members of Board that may have a personal interest in matters considered by the Board.

The Executive Director may approve smaller administrative contracts below the foregoing limit or approved expenses that have already been included in the budget without further approval from the Board.

5. Audit Policies and Procedures
An outside financial review is a necessary component of financial control. The responsibility of choosing an outside audit firm belongs to the Board. The Treasurer and Executive Director are the primary points of contact between the Board and the audit firm. The Treasurer and Executive Director will review the drafts of the annual financial statements and management letter before their presentation to the Board.

The Finance Committee will recommend outside CPA firm (with experience in non-profit operation and procedures and State and Federal requirements for 501(c)(3) organizations) to perform an annual independent review of OAA’s financial activity for each fiscal year.

The Treasurer and the Executive Director will work with the audit firm to ensure the accurate and timely completion of the annual financial review. The Executive Director will prepare any necessary financial reports, work papers and confirmations requested. OAA personnel will make themselves available to meet with the audit firm as may be requested from time to time.

OAA will implement the following procedures for auditor review of OAA’s annual financial statements:

- All drafts will be reviewed by the Finance Committee.
- The final statements will be presented as a matter of public record after approval by the Board.
- It is the position of the Finance Committee and the Board that the management letter that accompanies the annual financial statements is an internal document and will not be publicly released except as may be authorized by the Finance Committee or the Board.

6. Annual Audit
The Board and the OAA’s outside auditors will cooperate to:

- Review and assess the financial review performed by the outside auditors.
- Manage compliance with the OAA’s agreement with the City for the administration of the benefit district’s management plan.
- Consider the appointment, compensation, retention and oversight of the work of the outside auditors and resolve disputes between the outside auditors and management regarding financial reporting issues.
- Adhere to the requirements of SB1262, the California Nonprofit Integrity Act, pertaining to audits and financial reviews.

The Treasurer and Executive Director will approve the compensation to be paid to the outside auditors. The Treasurer and Executive Director may solicit bids from auditors to ensure competitive pricing and competence.

Upon completion of the annual audit, the Treasurer and Executive Director will review the audit findings reported by the outside auditors, including any comments or recommendations, with the entire Board.

7. General Accounting Policies
OAA prepares its monthly financial statements using an accrual basis of accounting. Financial statements are generally prepared within three weeks after the end of the preceding month.

7.1 Fundraising
OAA adheres to the California Nonprofit Integrity Act requirements pertaining to fundraising.

Donations that are limited to a specific purpose or time are considered restricted funds and may only be used in a manner consistent with the restriction. Such donations will be tracked individually. A certain percentage of such donations may be used to cover the general administrative costs associated with the donation. Any restricted donation must be clearly labeled as such at the time of the donation and identify the applicable restriction.

Professional services relating to organizational operations and activities may be donated by various individuals. The value of these services will be calculated and captured as part of OAA’s fundraising goals.

All donors will receive a letter acknowledging the gift promptly following receipt. The letter will also include information pertinent to IRS and other applicable guidelines.

All donor records will be kept confidential.

7.2 Revenues
Cash payments and checks shall be deposited within 5 business days of receipt.

The receipt of electronic funds will be tracked by the Executive Director or his/her designee.

OAA will make appropriate efforts to accept credit card payments or other EFT donations.
7.3 Investment Policy
The primary accounting objective of OAA is the preservation of capital and the assurance of appropriate liquidity to meet the needs of the organization. OAA will also seek to maximize the current and expected yield on OAA’s assets in order to provide additional income for operating expenses.

The Executive Director is responsible for OAA’s cash management. The Finance Committee is responsible for updating this policy when necessary, as mandated by changing conditions. Subject to any controls outlined in OAA’s bylaws, the Executive Director will have the authority to:
- Open deposit accounts with banks or other financial institutions
- Execute documents as necessary

The closing of any deposit accounts shall require notice and approval by the Board.

The following instruments are approved for investment:
- Money Market Funds
- Certificates of Deposit
- U.S. Treasury Bonds

The Executive Director will report to the Board on any matters deemed necessary related to transactions under these investment guidelines.

7.5 Bank Statements and Reconciliations
Bank statements will be reviewed by the Executive Director upon receipt. The OAA’s bookkeeper, or another designee of the Executive Director who does not have check signing authority, shall be responsible for preparing the monthly bank reconciliation. The reconciled bank balance shall be compared to the funds in the OAA’s deposit accounts and confirmed by the Executive Director. The bookkeeper shall notify the Executive Director of all checks outstanding over 60 days and the Executive Director will take appropriate action on these checks. The bookkeeper shall prepare a monthly statement of financial position and activities that will be provided to the Executive Director and the Treasurer and circulated periodically to the Board.

7.6 Wire Transfers
All wire transfers require two signatures/approvals. An internal wire transfer request may be only be made by one of the current signatories on OAA accounts – typically the Executive Director, Board Chair, and Secretary/Treasurer. The internal wire transfer request must be made in writing (or email), sent to the other two signatories, and at least one of the signatories must respond in writing and approve/authorize the wire transfer request. Once internal approval/authorization is received, a formal request is submitted by phone to the bank to process the wire. The bank will contact one of the signatories, other than the signatory submitting the request, to confirm the transfer has been authorized.
8. Fraud Prevention Policy
This section applies to any fraud or suspected fraud involving employees, officers or directors of the OAA, or any vendors, consultants, contractors, funding sources, members of the public, and/or any other parties with a business relationship with the OAA. Any investigative activity required will be conducted without regard to the suspected person’s length of service, position/title, or relationship with the OAA.

Any fraud, defalcation, misappropriation or other fiscal irregularity that is detected or suspected must be reported immediately to the Executive Director, the Treasurer or the Chair. Any question whether an action may constitute fraud should be directed to the Executive Director, the Treasurer or the Chair for guidance.

The Chair will coordinate the manner, scope and process of any necessary or appropriate investigation. The Chair has the primary responsibility for the investigation of all suspected fraudulent acts. If necessary, the Chair, in consultation with legal counsel, will recommend to the Board a referral to the appropriate law enforcement and/or regulatory agency for independent investigation. The Chair and his or her designees will keep the investigation confidential. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the OAA from potential civil liability. Care must be taken in the investigation of suspected improprieties or irregularities to avoid mistaken accusations or to inadvertently alert suspected individuals that an investigation is underway.

An employee who discovers or suspects fraudulent activity will contact the Executive Director, the Treasurer, or the Chair immediately. The employee may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other party should be directed to the Chair or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is, “I am not at liberty to discuss this matter.” Under no circumstances should any reference be made to “the allegation”, “the crime”, “the fraud”, “the forgery”, “the misappropriation”, or any other specific reference.

The reporting individual should be instructed:
- Not to contact the suspected individual in an effort to determine facts or demand restitution; and
- Not to discuss the case, facts, suspicions, or allegations with anyone unless expressly authorized by the OAA legal counsel or the Chair.

9. Human Resources

The following summary is intended to be generally descriptive of applicable law for the convenience of the Board and other parties. In the event, however, of any errors or omissions, the summary is subject to otherwise applicable law.
All California employers must report all their new or rehired employees who work in California to the New Employee Registry within twenty (20) days of their start-of-work date. California matches new hire reports against child support records to help enforce wage withholding orders.

The start-of-work date is the first day services are performed for wages.

The following information must be reported:
- Employee's full name, social security number, address, and start-of-work date.
- Employer's name, address, California employer account number, and federal employer identification number (FEIN).
- Any business or government entity that is required to file a federal Form 1099-MISC for services received from an independent contractor is required to report specific independent contractor information to the Employment Development Department (EDD). This information will be used to locate parents who are delinquent in their child support obligations. The independent contractor reporting requirements apply if the organization hires an independent contractor and the following factors all apply:
  - The organization is required to file a Form 1099-MISC for the services performed by the independent contractor.
  - The organization pays the independent contractor $600 or more OR enter into a contract for $600 or more.
  - The independent contractor is an individual or sole proprietorship.

OAA must report the independent contractor to EDD within 20 days of making payments totaling $600 or more for services performed or entering into a contract for $600 or more for services performed, whichever is earlier. OAA is not required to report independent contractors that are corporations, general partnerships, limited liability partnerships, and limited liability companies.

Copies of all W-4s claiming total exemptions of 14 or more are forwarded to the Internal Revenue Service in accordance with tax laws.

Details on how to report new hires/independent contractors can be found in the Personnel Policies and Procedures Manual.

9.1 Payroll
The Executive Director is responsible for seeing that all new employees complete the following:
- Form W-4, Employee Withholding Certificate (or Form W-9 for Independent Contractors on Payroll)
- Form I-9, Documentation of Employment Eligibility
- Employee Information Sheet (if applicable)
- Insurance/Benefit Application Forms

The organization pays staff on a monthly basis, by the last day of each month.
Hourly employees are required to complete a timesheet for each pay period which includes Paid Time Off used during the period.

9.2 Hiring
All current and potential employees are subject to a background check, including a job history, credit, criminal, and driving record check.

All employees will receive an offer letter that minimally stipulates the start date, compensation, and benefits. Such letters must be acknowledged and accepted via mail or email.

The Executive Director is responsible for seeing that all new employees receive and read the following information:

- Personnel Policies and Procedures Manual (employee must acknowledge in writing receipt and review of this document)
- Time Sheets (if applicable)
- FPP
- Board of Directors Handbook

The Executive Director or his/her designee shall set up a personnel file for new employees. The employee’s resume, copy of W-4 form, copy of I-9 form, and a copy of the employee’s offer letter shall be placed in the personnel file. Employee files shall be kept in a locked drawer or electronically password protected system.

OAA complies with all aspects of HIPPA (Health Insurance Portability and Accountability Act) as appropriate.

The Executive Director or his/her designee shall be responsible for maintaining accurate records on the availability of vacation leave and sick leave for each employee, and the dates and type of leave each employee has used.

9.3 Payroll Records
Payroll checks and payroll tax payments shall be prepared by an outside payroll service contracted to perform these tasks. The Executive Director or his/her designee shall be responsible for conveying accurate payroll information to the outside payroll service and ensuring payment is made of all payroll taxes.

The Executive Director or his/her designee shall file time sheets for relevant staff for each pay period in separate files from individual employee’s personnel records.

10. Reports

10.1 Financial Reports
Monthly financial reports by cost category shall be prepared by OAA’s bookkeeper and reviewed by the Executive Director and Treasurer. The Board will review monthly financial reports, including current year-to-date income and expenses and a comparison to budget with an
explanation of significant variances. Annual fiscal year-end financial statements will be reviewed by outside auditors.

10.2 Reports to Stakeholders and SF Board of Supervisors
According to the OAA’s administration agreement with the City of San Francisco, certain reports are due to the Board of Supervisors and relevant city staff within 30 days of the close of the fiscal year and at the mid-year point. Report due dates for OAA are:

● Mid-Year Report – January 31
● Annual Report – July 31

The Executive Director, in concert with appropriate staff, will prepare the financial portions of reports.

The Board and the Executive Director shall review and approve the Annual Report.

The Executive Director or his/her designee shall maintain on an ongoing basis a listing of reports and their respective due dates. The Executive Director is responsible for ensuring that all reports are submitted on a timely basis.

11. Tax Returns and Other Federal/State Requirements
501(c)(3) requirements are fulfilled by the independent auditor. As a 501(c)(3) organization, OAA is tax exempt. A Form 990 – Return of Organization Exempt from Income Tax will be filed on an annual basis. The State of California requires a Form 199 – California Exempt Organization Information Return (due on October 31 each year with a $10 filing fee) and a Form CT-2-Periodic Report to the Attorney General of California annually. Form 941’s and payroll taxes are prepared and submitted by OAA’s payroll service. Form 941’s are reconciled to accounting software quarterly. W-2s are prepared and emailed by OAA’s payroll service. 1099s are prepared by the Executive Director or his/her designee and are mailed prior to January 31st of each year, in accordance with federal law. Quarterly payroll tax returns are calculated and filed by OAA’s payroll service. As a 501(c)(3) organization, the Agency is exempt from FUTA. All other payroll taxes generally apply.

12. Procurement Protocols

12.1 Paying a New Vendor
Payments to new vendors are not made until the vendor has submitted appropriate taxpayer identification information (e.g. W-9).

12.2 Purchase Requisitions
All expenditures not reflected in the approved budget must be approved in advance. The Executive Director is the only staff person authorized to approve such expenditures up to $5,000. For expenditures of more than $5,000 that are not included in the annual budget, approval of the Board is required.
12.3 Disbursements via Electronic Third Party Processor
Invoices are uploaded to the electronic third party processor software.
User access rights will be established to ensure adequate segregation of duties.
All expenditures greater than $5,000 will require a second approver.
Approved invoices will be processed for payment by the organization’s accounting team, based on dates due.

Invoices are paid with checks drawn on electronic third party processor accounts funded via an electronic transfer (similar to how payroll is processed). Payments flow through a clearing account that is reconciled monthly.

12.4 Check Authorization
No disbursements shall be issued without proper authorization.
All invoices paid with manual checks must be approved and coded by the Executive Director or his/her designee prior to payment.
The Executive Director or his/her designee will review and note the source designations on each check.
The Executive Director or his/her designee shall ensure that all back-up documentation is in order and proceed with the check writing and mailing to vendor.

12.5 Manual Checks
All blank checks are stored in a drawer with access granted to the Executive Director and his/her designee. A log is maintained showing the date, check number range and reason for removing any check stock, and initialed by Executive Director or his/her designee. The Executive Director or his/her designee is responsible for writing all manual checks based upon completed and properly documented Check Request forms.
For manual checks of $5,000 or less, one signature shall be required. For manual checks in excess of $5,000, unless for payment of recurring costs covered by a contract approved by the Board, two signatures shall be required. The Executive Director shall be the primary signatory for the organization. The Board Secretary and Board Treasurer are also signatories for the organization.
The Executive Director or his/her designee shall stamp all paid invoices as “PAID,” with the date of payment, check number and amount paid.
Approved invoices are attached to check stubs and filed by vendor name. Records are maintained for 7 years.

Voided manual checks shall have “VOID” boldly written across the face of the check and the signature portion of the original check shall be cut out. The original of the voided check will be shredded.

In no event will:
- Manual checks be used other than in chronological, pre-numbered order.
- Manual checks be prepared or signed in advance.
• Manual checks be made payable to “cash” or “bearer.”

12.6 Corporate Credit Card
Only selected staff (determined by the Finance Committee and approved by the Board) are authorized to have an OAA credit card. All charges are reviewed, verified, and coded by the card-owner when a statement is received. Original receipts must accompany the statement before payment is made. All other pre-approval requirements apply.

13. Expense Reimbursement
Employees may be reimbursed for expenses incurred on behalf of the organization, provided that such expenditures are approved in advance by the Executive Director or his/her designee with the appropriate level of authorization.

In order to be reimbursed for such costs, employees must complete and promptly submit a detailed expense report with receipts attached. The expense report is to be submitted to the Executive Director for review. The Executive Director is responsible for ensuring the report is complete. He/she signs the reporting, signaling approval, and submits it for review and payment.

13.1 Travel Reimbursement
All expenses an employee incurs while traveling out of the area on OAA business may be reimbursable, including transportation, lodging, and food. The employee must submit a travel budget to the Board for pre-approval that details anticipated lodging and transportation expenses along with estimates for food and local transportation. Alcohol, movies, snacks, laundry, etc. are not reimbursable. Entertainment expenses are not reimbursable without pre-approval from the Executive Director.

Travel expenses are reimbursed under the following guidelines:
• Air travel should be at the lowest available rate.
• Ground transportation to and from airports is reimbursed if the employee uses shuttle services or a similar method of transportation. Auto rental expenses or taxicab fares in the destination city are reimbursed only if public transportation is inadequate or unavailable in the destination city.
• Lodging expenses should not exceed IRS-approved rates for the destination city, unless the employee can demonstrate a compelling reason for incurring more expensive lodging.

Expenses that employees may be reimbursed for while travelling locally on behalf of the organization include mileage (amount updated annually based on IRS information), parking, bridge tolls, and local transportation. Travel to locations for OAA business purposes that are prohibited by applicable City policies or regulations cannot be reimbursed.

13.2 Working from Home (WFH)
The OAA does not reimburse employees for internet access, fax lines, telephone lines, or any other home office expense. With Board approval, an employee may receive a stipend of $600, or
other amount, every 6 months to defray WFH costs. If approved by the Board, the stipend will be paid at the end of December and at the end of June of each fiscal year. OAA does not provide technical support to staff working from home.