GREATER SYRACUSE PROPERTY DEVELOPMENT CORPORATION
ACCOUNTING POLICIES AND PROCEDURES

Financial Management System

The Greater Syracuse Property Development Corporation (GSPDC) operates on a calendar year basis, and uses QuickBooks for financial/accounting management which allows for the effective tracking of costs down to the project level. This tracking comprises the following key modules: Accounts Payable, Accounts Receivable, General Ledger, Job Cost tracking, Billing supports progress payments, Payroll, and interim project/program or financial reports as may be required by Federally funded grants and projects.

GSPDC's financial management system tracks revenues and expenditures and provides financial results separately for each assistance agreement project. GSPDC will maintain proper controls to make certain that the organization's accounting policies, procedures and practices are consistent with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles. An annual independent audit will verify consistency with such principles and standards.

For each funding award, GSPDC maintains records that allow for a comparison of outlays with approved budget amounts. There is an adequate review process in place to ensure that costs claimed and billed on grants and contracts are allowable, allocable, and reasonable, as per grant requirements and appropriate rules and regulations.

Measurement Focus and Basis of Accounting

The GSPDC operates as a proprietary fund. Proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

GSPDC utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Tax Status
GSPDC was organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

Inventory
Inventory consists of vacant, abandoned, or tax delinquent property in the City and County purchased by GSPDC. Inventory is valued at the lower of cost or market. Market value is defined as one-half the assessed value of the property except for vacant lots and demolition candidates, which are valued at $151, properties listed for sale, which are valued at listing price, and properties under contract that have not yet closed, which are valued at their contract sales price. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Prepaid Expenses
Prepaid expenses consist primarily of amounts paid for the portion of insurance policies that provide coverage for the following fiscal year.

Capital Assets
Capital assets include furniture and equipment and are defined by GSPDC as assets with an initial individual cost of more than $1,000 and having an estimated useful life in excess of one year. Assets will be depreciated using the straight-line method.

Capital assets also include lease assets with a term greater than one year. GSPDC does not implement a capitalization threshold for lease assets. Lease assets are amortized on a straight-line basis over the term of the lease.

Grant and Government Subsidy Revenue Advance
In certain instances, GSPDC receives grant and government subsidy revenue prior to meeting the definition of earned. Such amounts are reflected as a liability, grant and government subsidy revenue advances, until amounts are deemed earned and then recognized as revenue.

Contribution Revenue Advances
In certain instances, GSPDC receives contributions revenue prior to meeting the definition of earned. Such amounts are reflected as a liability, contribution revenue advances, until amounts are deemed earned and then recognized as revenue.

Operating and Non-Operating Revenues and Expenses
As a business-type activity, GSPDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant and government subsidy revenue resulting from exchange transactions associated with the principal activities of GSPDC. Other sources of operating revenues include sales of property, rental revenue, project extension fees, contributions revenue, development enforcement mortgage foreclosures, and defaulting on residency requirements. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with GSPDC's mission. All revenues and

expenses not meeting these definitions are reported as non-operating revenues and expenses.

Development Enforcement Mortgage Foreclosures
A majority of properties GSPDC sells come with an enforcement mortgage that requires the buyer to complete renovations within a certain period of time, usually twelve months. When a project is not completed in time, GSPDC may either charge project extension fees to allow for more time, or pursue a default on the enforcement mortgage. In these instances where the property deed is transferred back to GSPDC, GSPDC records revenue equal to the market value of the property.

Defaulting on Residency Requirements
Some properties GSPDC sells (including those in the Homeownership Choice Program) require that the buyer occupy the house as their primary residence for a period of five years or sell it to someone else who will. If they fail to comply with this, they are in default on their Residency Enforcement Mortgage. At this point, the buyer may pay off the prorated remainder of the residency mortgage, sell to someone who will assume the remainder of the residency obligation, or GSPDC may foreclose on the property. In these instances where the buyer pays off the prorated remainder of the residency mortgage, GSPDC recognizes revenue equal to the prorated amount.

Unrealized Loss on Inventory
Deterioration, damage, changing prices, and other factors have caused certain inventory's cost to exceed its market value. In accordance with GAAP, GSPDC's inventory is reduced to market value and an unrealized loss is recognized on an annual basis.

Net Position
Equity is classified as net position and displayed in three components:

a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net position – all other net position that does not meet the definition of net investment in capital assets or restricted net position.

It is GSPDC's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Internal Controls
Internal controls provide the framework for oversight of the financial and program management functions. They also contribute to the objectives of efficient operations, compliance with laws and regulations, and reliable reporting. GSPDC has established and maintains effective internal controls over federal awards providing reasonable assurance that we are managing the federal awards in compliance with federal statutes,

regulations, and the terms and conditions of the federal awards. Internal controls are relevant to everyone in the workplace; they include our responsibility to understand and comply with organizational policies and procedures, as well as to hold ourselves and one another accountable.

Financial Recordkeeping

It is GSPDC's policy to maintain source documentation to support entries into the financial/accounting system. Source financial records include but are not limited to both income and expenses, grants, contracts, subrecipients agreements, consultants, invoices, reports, checks, etc. Records of all transactions are kept with the corresponding banking or credit card statements from which they were paid.

Before paying an invoice, GSPDC reviews federally funded costs to determine if the costs are:

- Consistent with the project budget approved by the awarding agency,
- Not being counted as cost sharing or matching on another federal grant award (when applicable),
- Consistent with policies and procedures that apply uniformly to activities, whether federally sponsored or not,
- Adequately documented with supporting source documents, and
- Costs will be reviewed by appropriate staff to determine if they are allowable, allocable, and reasonable according to 2 CFR 200 Subpart E, if applicable.

Invoices are reviewed by the Executive Director to confirm that costs are allowable, allocable, and reasonable and in compliance with federal, state, or other funded grants/projects, if applicable. After review, the Executive Director prepares, signs, and attaches a voucher for payment. This voucher details the payee, expense account description, project (usually a property address), and class type with which the payment is affiliated and amount to be paid along with which funding source - federal, state, or other grant – will be drawn upon for payment. The Executive Director then causes the voucher and invoice to be delivered to the bookkeeper by electronically submitting them to the cloud-based bill-payment service. The bookkeeper verifies that the expenses are allowable under the grant if a grant source is specified, then enters the invoice in the cloud-based bill-payment service, which is synchronized with the GSPDC ledger, in accordance with the voucher.

Two authorized approvals are required for all disbursements. The first approval is that of the Executive Director through the cloud-based payment system, or signing a check, and the second is in the form of the Treasurer or other authorized signer approving/paying the disbursement via the cloud-based bill-payment service. This second authorization is required for the cloud-based bill-payment service to issue a check or electronic payment to the vendor and may not be completed until the signed voucher is submitted by the Executive Director and the invoice is entered by the bookkeeper. The bookkeeper will not enter an invoice into the cloud-based bill-payment service or prepare checks for signature absent an approved voucher. Authorized signatories may include any of the following: Executive Director, Chief Financial Officer, Board Chair, and Board Treasurer as directed by the Board of Directors from time to time.

When a one-time or recurring online payment via debit from a GSPDC bank account is arranged with a vendor, the voucher shall be signed by two authorized signers in order to document two-party approval of the transaction. These transactions shall be reported to the bookkeeper for entry into the GSPDC ledger.

Internal transfers between accounts for routine cash management may be processed by any signatories on the applicable account. Any withdrawals made in person requiring a withdrawal slip shall be authorized by two signatories on the applicable account.

Bank statements are reviewed by the Executive Director and then forwarded to the bookkeeper for reconciling of accounts. Bookkeeping staff shall also have online viewing rights to all GSPDC bank accounts in order to monitor transaction activity on a daily basis for the purposes of fraud-prevention and to reconcile accounts in a timely manner. All bank accounts shall be reconciled on a monthly basis by the bookkeeper and reviewed by the CFO and the Treasurer. A summary of account activity will be provided to the board of directors at their monthly meetings. This will include a budget-to-actual comparison along with monthly and year-to-date totals.

Financial ledgers are available for inspection by the Treasurer as well as the annual external independent auditor.

GSPDC shall retain records in accordance with the retention list below unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. Records and documents outlined in this policy include paper, electronic files (including e-mail) and voicemail records regardless of where the document is stored, including network servers, desktop or laptop computers and handheld computers and other wireless devices with text messaging capabilities.

In accordance with 18 U.S.C Section 1519 and the Sarbanes-Oxley Act, GSPDC shall not knowingly destroy a document with the intent to obstruct or influence an “investigation or proper administration of any matter within the jurisdiction of the agency of the United States…or in relation to or contemplation of such matter or case.” If an official investigation is underway or even suspected, document purging must stop to avoid criminal obstruction.

To eliminate accidental or innocent destruction, GSPDC has the following document retention requirements:

Accounts receivable ledgers and schedules	Minimum of 5 years after awards are closed
Audit reports	Minimum of 5 years after awards are closed
Bank reconciliations	Minimum of 5 years after awards are closed
Grants financial and supporting records	Minimum of 5 years after awards are closed

Updating Information in the System for Award Management

GSPDC will register and/or update the organization’s information annually or as needed in the System for Award Management portal as required by federal grant agreements to maintain SAM compliance.

Updating Subrecipient Information in the FFATA

Prime Grant Recipients awarded a new federal grant greater than or equal to $30,000 are subject to FFATA/FSRS subaward reporting requirements as outlined in the Office of Management and Budgets guidance. GSPDC (when applicable) is required to file a FFATA subaward report by the end of the month following the month in which the prime recipient awards any subaward greater than or equal to $30,000 (FSRS.gov).

Federally funded projects require the organization to prepare regular updates on the status of program implementation. Reporting requirements can usually be found in the award's terms and conditions. The Executive Director and/or CFO will prepare and submit Interim and Final Financial Status Reports (including SF-425) as per grants requirement and annually for all Federal grants.

Allocating Fringe Benefits

Fringe benefits grantees provide to their employees as compensation in addition to salaries and wages include, but are not limited to, costs of leave, employee insurance, pensions and unemployment benefits. Fringe benefits allocated to federal grants must be done in accordance with federal regulations to ensure compliance. Proper allocation and documentation of these costs are crucial for both the integrity of the grant process and to avoid financial penalties or audit findings. GSPDC allocates the costs of fringe benefits to federal awards to the extent they are reasonable and allowable by grant requirements.

Fringe benefits allocated to federal grants must be directly related to the work being performed under the grant, and they must be allocated in a manner that reflects the proportion of an employee's time and effort devoted to the grant-funded project. Accurate records are maintained to show the allocation method and the actual costs charged to federal grants; this may include time sheets, payroll records, and other relevant documentation. In some cases, GSPDC may use a fringe benefit rate (which is the percentage of salary or wages) to simplify the process of allocating these benefits to various grants. Fringe benefits may also be part of GSPDC's indirect cost rate, which includes general administrative costs like human resources, finance, and management. If the fringe benefits are part of the negotiated indirect cost rate, they are indirectly allocated to the federal grant.