SOUTH BAY REGIONAL HOUSING TRUST

ACCOUNTING & FINANCE
POLICIES AND PROCEDURES MANUAL

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1. Introduction

The purpose of this manual is to describe all accounting and finance policies and procedures to be used by the South Bay Regional Housing Trust (Trust) and to ensure that the financial statements conform to Generally Accepted Accounting Principles (GAAP); assets are safeguarded; guidelines of grantors and donors are complied with; and finances are managed with accuracy, efficiency, and transparency.

All of the Trust's personnel (including, but not limited to, consultants and contractors retained by the Trust) with a role in the management of fiscal and accounting operations are expected to comply with the policies and procedures in this manual.

These policies will be reviewed and revised as needed by the Trust Treasurer and Trust Manager with review by the Trust Executive Director and approval by the Trust Board of Directors (Board). In addition, if the South Bay Cities Council of Governments (SBCCOG) no longer manages the Trust, these policies and procedures shall be reviewed and updated accordingly.

2. Division of Responsibilities

The following is a list of personnel who have fiscal and accounting responsibilities:

Board of Directors

1. Review and approve the annual budget.
2. Review annual and periodic financial statements, including budget variance reports.
3. Review and approve all grant agreements and amendments that modify agreement budgets by more than 5%.
4. Approve the Trust Board Chair, Trust Board Vice Chair, Trust Treasurer, and South Bay Cities Council of Governments (SBCCOG) Finance Manager as signers on the Trust's investment and banking accounts.
5. Review the Trust Executive Director's performance annually and establish the compensation package if they are an employee of the Trust. If the SBCCOG is managing the Trust, then the Trust Board should review the services performed by the SBCCOG and its staff which should be provided to the SBCCOG Board of Directors annually.
6. Review and approve all contracts for professional services.
7. Review and approve all budgeted expenditures or nonprofessional services over $50,000.
8. Payment to any vendor over $20,000 requires two signatures – this can be two of the following: the Trust Board Chair, the Trust Board Vice Chair, the Trust Treasurer, and the

Finance Manager. The Chair and Vice Chair shall be primary signers with the Trust Treasurer and Finance Manager serving as secondary signers if the Chair and/or Vice Chair are unavailable.

9. Approve internal controls and accounting policies and procedures.
10. Approve the auditor recommended by the Trust Executive Director to the Trust Board, who will perform the annual independent audit of the Trust and include in the recommended motion approval of a contract to retain such auditor and authorization for the Trust Executive Director to execute such contract with the selected auditor.
11. The Trust Board Chair or Vice Chair approves any Expense Reimbursement requests made by the Trust Executive Director.
12. Authorize the Trust Executive Director to apply for and submit grant applications, provided the Trust Executive Director notifies the Board of all grant applications. The Board approves all grant agreements, subject to Trust Legal Counsel review and approval as to form.

Trust Executive Director

1. Reviews and approves all financial reports including cash flow projections.
2. Leads the process of ensuring an appropriate budget is developed annually.
3. Reviews and approves all payments to vendors up to and including $10,000.
4. Reviews, approves, and executes all contracts in the budget under and including $50,000 for goods and nonprofessional services.
5. Reviews and approves all grant submissions, i.e. proposals and expenditure reports.
6. Executes grant agreements and other contracts after Trust Board approval.
7. Reviews and approves all grant amendments that modify agreement budgets by less than 5%.
8. Oversees the adherence to all internal controls of cash.
9. Approves Expense Reimbursement requests made by the Trust Manager that are within the approved budget.
10. Provides the Board Information Packet to the Board.

Trust Treasurer (or their designee)

1. Responsible for the overall integrity of the accounting system and supervision of the Accounting Staff.

2. Ensures compliance with GAAP and other regulatory and statutory requirements.
3. Ensures compliance with any applicable federal, state, and local governmental reporting requirements, such as the *Report of Accounts Outside the State Treasury – Year-End Report No. 14 (Report 14)* annually via the Financial Information System for California.
4. Approves all program/grant expenditure cost allocations to multiple funding sources recorded in the General Ledger.
5. Reviews and advises on internal controls and accounting policies and procedures.
6. Monitors organization and program budgets and provides variance reports as requested by the Trust Manager or the Board of Directors.
7. Reviews the monthly investment accounts and provides regular updates on investment performance.
8. Reviews and manages cash flow.
9. Has overall responsibility for timely bill payment and accurate accounts receivable management.
10. Reviews and approves all reimbursements and fund requests prior to submitting for the approval of payment.
11. Monitors the bank accounts, reviews for any irregularities, and reviews the monthly financial reports with the Trust Manager and Finance Manager.
12. Processes all inter-account bank transfers after approval by the Trust Board Chair or Vice Chair and/or Trust Executive Director.
13. Assists the Trust Manager with the development of annual and program budgets, including collaborating with relevant stakeholders.
14. Reviews all approved incoming invoices.
15. Monitors and manages all expenses to ensure the most effective use of assets.
16. Monitors grant reporting and the appropriate release of temporarily restricted funds.
17. Oversees expense allocations to the various funds/departments.
18. Monitors and makes recommendations for asset retirement and replacement.
19. Review all financial reports before issuance. Provides insights and analysis on financial performance.
20. Responsible for ensuring a completed external audit process with the goal of a clean opinion. Ensures that any audit recommendations are implemented and continuously improves internal controls.

21. Responsible for overseeing proper Grants management and reporting, including adherence to grant-specific regulations and requirements.

22. Responsible for compliance with responsibilities of the Trust Treasurer as set forth in the Joint Exercise of Powers Act (set forth at California Government Code Section 6500 *et seq.* and the Trust's Joint Exercise of Powers Agreement dated April 1, 2026, as either may be amended or supplemented.

Trust Manager

1. Reviews the monthly financial reports with the Trust Treasurer and Finance Manager.

2. Submits and presents periodic and annual financial reports to the Trust Board for review and acceptance.

3. Reviews all financial reports including cash flow projections.

4. Develops annual and program budgets.

5. Reviews and approves all incoming invoices.

6. Reviews all reimbursements and fund requests prior to submitting to the Trust Treasurer for final review.

7. Reviews grant submissions, i.e. proposals and expenditure reports; and notifies Trust Treasurer of any grant funding awards and provides a copy of the grant/funding agreement.

8. Works with the Trust Treasurer to ensure proper recording of the Trust's books and the process of ensuring compliance with the grant/funding agreement.

9. Provides guidance to the Trust Treasurer regarding direct grant expenses as well as the allocation of indirect expenses applicable to the grant.

10. May sign loan documents after Trust Board approval.

Out-sourced Auditor

The Trust may utilize a contracted auditing firm and/or LACAHSA's auditors to perform these duties.

1. <u>Oversight of Financial Records:</u> Reviewing and auditing the Trust financial

reports/statements to ensure accuracy and compliance with applicable accounting principles and standards.

2. Verification of Compliance: Ensuring that financial transactions and reports comply with applicable state laws, regulations, and the Trust's internal policies.

3. Review of Internal Controls: Assessing the adequacy of the Trust's internal control systems to safeguard public funds and detect any financial irregularities.

4. Reporting to the Board: Providing audit findings and recommendations to the Board of Directors, including any identified weaknesses or areas for improvement in financial management.

5. Assistance with External Audits: Working with external auditors (if hired) to provide necessary financial records and documentation for independent audits.

6. Responsible for compliance with responsibilities of the Trust Auditor as set forth in the Joint Exercise of Powers Act (set forth at California Government Code Section 6500 *et seq.* and the Trust's Joint Exercise of Powers Agreement dated April 1, 2026, as either may be amended or supplemented, including, but not limited to, causing an independent audit to be made by a certified public accountant, or a public accountant, of the accounts and records of the Trust in compliance with Government Code Section 6505.

Accounting Staff

1. Has overall responsibility for the analysis of transactions and data entry into the accounting system with adherence to GAAP or other regulatory requirements.
2. Records all financial transactions with the proper cost allocation to multiple funding sources.
3. Generates invoices for housing projects or services provided and submits invoices for the Trust Treasurer's handling.
4. Enters recurring monthly journal entries.
5. Enters monthly investment income and expenses, both realized and unrealized.
6. Maintains the General Ledger.
7. Prepares monthly, quarterly, and year-end financial, grant, investment, and budget reports for the Trust Treasurer's review.
8. Reconciles all bank, investment, and other financial accounts on a monthly basis.
9. Manages Accounts Payable to ensure timely cash disbursements.
10. Manages Accounts Receivable to ensure timely receipt of any receivables.

11. Assists with various finance and accounting functions.
12. Obtains a fully executed Form W-9 from any vendor or independent contractor.

3. Chart of Accounts and General Ledger

The Trust has designated a Chart of Accounts specific to its operational needs and the needs of its financial statements. The Chart of Accounts is structured so that financial statements can be shown by natural classification (expense type) as well as by functional classification (by fund, department, restricted grants, etc.). The Trust Treasurer or designee is responsible for maintaining the Chart of Accounts and revising it as necessary. The Chart of Accounts is attached to this manual in Exhibit B.

The General Ledger shall be automated and maintained utilizing accounting software. All input and balancing are the responsibility of the Accounting Staff with final approval by the Trust Treasurer. The Finance Manager is responsible for role-based access maintenance and administrator rights.

The Trust Treasurer will review the General Ledger on a quarterly basis for any unusual transactions.

4. Revenue

Revenue generally arises from:

1. LACAHSA fund distributions
2. Grants
3. Direct donor contributions

The principal steps in the receipt of revenue process are:

The Trust Manager is responsible for providing the Trust Treasurer with notice of any grant funding awards and a copy of the grant application and grant/funding agreement.

The Trust Manager and Trust Treasurer are responsible for reviewing all grant agreements to ensure proper recording of the Trust's books and the process of ensuring compliance with the grant/funding agreement.

The Trust Manager will provide the Trust Treasurer with guidance regarding direct grant expenses. The Trust Manager and the Trust Treasurer will agree on the allocation of indirect expenses applicable to the grant.

The Trust Treasurer will review the expense allocations and grant reports with the Trust Manager periodically.

All grants or contributions received should be submitted via wire or ACH deposit into the Trust's checking account. In the cases where a check is submitted to the Trust, the Administrative Staff shall open the mail and provide the check to the Accounting Staff. Accounting Staff shall log the check in a receipts log and make a copy of the check for the Finance Manager or Trust Treasurer and deposit any contributions into the Trust's checking account. Once funds are held on deposit in the Trust's checking account, they will immediately be transferred into the Trust's investment account, if established. The Finance Manager shall keep record of deposit entries.

5. Revenue Recognition

Cost Reimbursable Grants and Contracts
Revenue from cost-reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as receivable or an advance, whichever is applicable.

Other Grants
Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant.

Cash Contributions
Contributions primarily include unconditional promises to give cash or other assets. Contributions, whether with or without donor restrictions, are recognized as revenue when they are received. Unconditional promises to give are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or when the conditions expire, whichever occurs first.

Contributions are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of cash or other assets. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Donations in Kind
Contributions of donated noncash assets are recorded at fair value in the period received.

Donated services are recognized if the service requires specialized skills, is provided by individuals possessing the skills and the service would otherwise need to be purchased. In order to comply with the related accounting rules, certain services would be recorded as revenues and expenses. Such services would be those professional services that would otherwise have been paid for, which were provided by a person whose work would normally include providing those services.

Any donated assets that would meet the definition to be capitalized will be recorded as revenue and as fixed assets.

6. Matching Principle

Some of the general guidelines that the Trust must comply with under GAAP are the Matching Principle and Accrual Accounting. Consequently, if the Trust has incurred expenses such as the delivery of office supplies or performance of services but the vendor has not invoiced the organization for such delivery or performance of the service by the end of the month, such expenses should be accrued as an expense in the fiscal period the goods were delivered, or services were performed.

In order to strengthen internal controls over recording of accrued expenses in the Trust's books of accounts, the journal entries relating to the recording of the accrued expenses should be adequately documented by either a copy of vendors invoices, signed contract, engagement letter, correspondence from vendor or other acceptable forms of documentation verifying such delivery of goods or performance of services.

7. Cash Disbursements & Expense Allocations

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Payments in the form of grants/awards or loans to accomplish the organization's mission
3. Staff compensation, training, and development
4. Memberships and subscriptions
5. Meeting/travel expenses
6. Reimbursements of Trust expenses paid with a personal card or cash
7. Marketing/promotional materials
8. Minor equipment

Accounts Payable is processed monthly. Invoices submitted by second Tuesday of each month at 5:00 p.m. will generally be approved for payment by the Trust Board at their meeting that month. The Trust will pay the approved invoices within 3 business days of approval.

In situations where the Trust Board does not meet monthly, the Trust Chair and Trust Vice Chair can approve Accounts Payable that are within budget. A report of approvals shall be distributed to the Trust Board between meetings and a consent calendar item ratifying the approvals shall be on the next Board meeting agenda.

In time-sensitive emergency situations for non-budgeted items, the Trust Executive Director may request approval by the Trust Chair or Trust Vice-Chair. Non-budgeted items over $50,000 require approval by the Board.

Requests for cash disbursements are submitted to accounting in three ways:

1. Original vendor invoice. The goal is for vendors to submit themselves and cc: the appropriate Trust staff.
2. Purchase request.
3. Employee/outsourced personnel expense report or reimbursement request.

All invoices must indicate if the expense is a general expense or if the expense applies to a specific grant or program.

The Trust complies with IRS regulations, which require that all business expense reimbursement requests be substantiated with adequate records. This substantiation must include information relating to the:

(1) amount of the expenditure
(2) time and place of the expenditure
(3) business purpose of the expenditure, and
(4) names and the business relationships of individuals other than yourself for whom the expenditures were made.

Requests for reimbursement lacking this information will not be processed and will be returned to the originator.

The Expense Reimbursement process requires that only one (1) PDF of all the detailed receipts with the Expense Reimbursement request be submitted.

The Accounting Staff will:

1. Immediately enter the invoices submitted into the Accounts Payable module in the Trust's accounting software.

2. Provide or verify appropriate expense allocation information.
3. Ensure the appropriate general fund, restricted fund, or program fund entries are made in the Trust's accounting software.
4. Verify expenditure and amount and that a detailed receipt for each item is received.
5. Run accounts payable aging at the middle and end of each month and submit to the Trust Manager to ensure timely payment of all invoices.

The Trust Manager reviews all requests for payment and:

1. Recommends Board approval for payment if in accordance with the budget.
2. Depending upon the amount of the invoice, receives one or two approval signatures on the check to be obtained from the Trust Board Chair, the Trust Board Vice Chair, the Trust Treasurer, or the SBCCOG Finance Manager.

8. Credit Card Policy and Charges

Anyone authorized to carry an organization credit card will be held personally responsible in the event that any charge is deemed personal or unauthorized. Unauthorized use of the credit card includes personal expenditures of any kind; and expenditures which have not been properly authorized; meals, entertainment, gifts, or other expenditures which are prohibited by budgets, laws, and regulations, and the entities from which the Trust receives funds. Such unauthorized use of the credit card will be grounds for termination, removal, or dismissal, and legal prosecution.

The receipts for all credit card charges will be given to the Accounting Staff within two (2) weeks of the purchase along with proper documentation and applicable allocation information for posting. The Accounting Staff will verify all credit card charges with the monthly statement. bank account. The Finance Manager will review and sign off on the posting, and the Trust Board will approve payment of the monthly statement.

9. Accruals

To ensure a timely closing of the General Ledger, the Trust will book accrual entries on a monthly basis. Some accruals will be made as recurring entries.

Accruals to consider:

1. Monthly interest earned on money market accounts, certificates of deposits, investments, etc.

2. Recurring expenses, including employee vacation accrual, prepaid corporate DEO/cyber/EO/other insurance, other prepaid expenses, depreciation, etc.
3. Mark-to-Market adjustments for the investment accounts.

10. Bank Account Reconciliations

1. Monthly bank account reconciliations are required to be completed by the Accounting Staff. Finance Manager is required to sign off and note the date of completion of the bank reconciliation The completed bank reconciliation will be retained.
2. Each entry in the Transaction Register in the Trust's accounting software agrees to the balance reflected in the Trust's checking account. Accordingly, the bank account balance and the balance reflected in the Trust's accounting software can be traced on a transaction-by-transaction basis. As the Accounting Staff enters transactions into the Transaction Register, each transaction is compared to the Trust's checking account balance to ensure they both agree.
3. The Accounting Staff will review account to ensure any payments issued that have not been posted in the bank account are reflected in the bank reconciliation.
4. The Accounting Staff will verify that voided transactions are appropriately recorded.
5. The Accounting Staff will investigate any payments made that are outstanding over six months.

11. Petty Cash Fund

No petty cash funds are maintained by the organization.

12. Inter-Account Bank Transfers

The Finance Manager monitors the balances in the checking account(s) to determine when there is a shortage or excess in the account. The Finance Manager recommends to the Trust Treasurer and notifies the Trust Manager and/or Trust Executive Director that a transfer should be made to maximize the potential for earning interest. Should the Trust Executive Director be unavailable, the Trust Chair and Vice Chair may be notified. Upon approval by the Trust Executive Director (or Trust Chair/Vice Chair), the Trust Treasurer shall process the transfer.

In addition to the Trust Chair and Trust Vice Chair, the Trust Treasurer and Finance Manager will serve as authorized agents/signers on the checking account, which handles day-to-day Trust financial activity. If grant funds are deposited in the checking account, they must be transferred to the Trust's investment account, if established, within two weeks of the deposit date.

13. Independent Contractor Records

1. All Trust personnel retained as independent contractors must complete *Form W-9, Request for Taxpayer Identification Number and Certification*, and return it to the Trust Treasurer before remittance of the first invoice can be paid. Such a form is to be resubmitted every third year by the independent contractor upon the request of the Trust Treasurer.
2. The completed Form W-9 is placed in a secure cloud file maintained by the Trust Treasurer.
3. All contracts with independent contractors are kept in a secure cloud file maintained by the Trust Executive Director or their designee.
4. The written Trust Board approval of the initial hiring and subsequent performance reviews of the Trust Manager is placed in a secure cloud file maintained by the Trust.

14. End of Month and Fiscal Year-End Close

1. The Finance Manager will review and approve all month- and year-end journal entries prepared by the Accounting Staff. The Trust's accounting system stores the entries in the cloud for audit trail purposes.
2. At the end of each month and fiscal year-end, the Finance Manager will review all balance sheet accounts including verification of the following balances: cash accounts match the bank reconciliations, fixed assets accounts reflect all purchases, deferred revenue, write-downs and retirements, accounts receivable and payable accounts match outstanding amounts due and owed.
3. The income and expense accounts review will ensure consistent reporting within the Chart of Accounts and appropriate allocation to grants or programs.
4. Once the final monthly and fiscal year-end financial reports are run, reviewed, and approved by the Finance Manager, no more entries or adjustments will be made into that month or year's ledgers. Finance Manager may enter and approve post close adjustments.
5. All other appropriate government filings including those required by the state or other regulatory agencies will be completed and filed with the appropriate agency.
6. Data Cutoff. To meet the deadlines for producing reports discussed in the following

section, the gathering of information to use in making the month-end entries must be cut off by a certain date which shall be the 5th day of the following month.

7. The monthly financial statements are due to the Trust Executive Director by approximately the 15th day after the month's end. Any payables or other information not available by the 5th day after the month's end will be classified in the next period. Accounting may need to use estimates if final information is not available on a significant additional transaction.

8. The year-end financial statements are due to the Trust Executive Director no later than thirty (30) calendar days after year-end. For these reports, a cutoff of three weeks will be used. Since the year-end is the most important period cutoff, the General Ledger will continue to be held open for additional material transactions through the conclusion of the financial audit fieldwork.

15. Financial Reports

The Accounting Staff will prepare the monthly and annual financial reports for distribution to the Trust Treasurer. The reports will include a balance sheet, statement of income and expenses, budget versus actual report for each program/fund which has an established budget, a budget versus actual report for the organization, accounts receivable aging, accounts payable register and aging, investment report, any cash flow projection, and any other requested reports.

Periodic and annual financial reports will be submitted and presented by the Trust Manager to the Trust Board for review and acceptance.

The annual financial report shall be prepared and distributed in compliance with the Joint Exercise of Powers Act and the Trust's Joint Exercise of Powers Agreement.

16. Fiscal Policy Statements

1. The Trust will utilize the accrual method of accounting according to Generally Accepted Accounting Principles (GAAP).
2. The Trust will adopt a fiscal year beginning on July 1 and ending on June 30.
3. All checking accounts owned by the Trust will be held in financial institutions that are insured by the FDIC. No bank account will carry a balance over the FDIC-insured amount, currently $250,000.

4. In general, any funds not needed in the Trust's checking account at any time will be invested with the Trust's investment account, if established.
5. No independent contractor or vendor advances will be made under any circumstances.
6. No travel cash advances will be made except under special conditions and pre-approved in writing by the Trust Executive Director, Trust Board Chair, or Trust Board Vice Chair.
7. Reimbursements will be paid upon complete expense reporting and approval. Reimbursements and payments to the Trust Executive Director must be authorized by the Trust Board Chair or Vice Chair.
8. All material volunteer time or other donated services and rent shall be recorded as in-kind donations in the Trust's books pursuant to Generally Accepted Accounting Principles (GAAP).
9. The Trust Board Chair and Vice-Chair are primary signatories to Trust bank checking accounts. The Trust Treasurer and Finance Manager serve as signatories only when the Trust Board Chair and Trust Board Vice Chair are unavailable. Payments to vendors over $10,000 and within budget require approval from Trust Board unless it does not meet in a timely fashion in which case either the Trust Board Chair or Vice Chair may approve and shall report to the Trust Board at its next meeting.
10. Financial documents require the same signature authorities as invoices.
11. Loan documents may be signed by the Trust Executive Director or Trust Manager after Trust Board approval.
12. All wires must be approved by the Trust Executive Director in writing before the Trust Treasurer can issue the wire.
13. The Trust Treasurer may set up ACH withdrawals for monthly recurring payments of the accounting and bill pay software and similar programs needed to carry out his/her duties in setting up and managing the financial systems.
14. All grant agreements require written Trust Board approval before execution by the Trust Executive Director.