

EXHIBIT A
Statement of Work (SOW)

I. Operations

1) Maintain Accounts Receivables & Payables

The Contractor shall manage NYSARH's accounts receivables and payables according to the following policies and procedures. Any changes to these policies and procedures made during the contract period shall be discussed and agreed to by both parties.

A. Receivables:

- i. Monitoring and Reconciliations** - On a monthly basis, a detailed accounts receivable report (showing aged, outstanding invoices by customer) is generated and reconciled to the general ledger by the Contractor. All differences are immediately investigated and resolved, and the Treasurer reviews the reconciliation.
- ii. Collections** - Collections are performed monthly, according to a review of the outstanding items shown on the accounts receivable aging report. This report shows the current month's activity for each customer and prior months' balances outstanding for 30, 60, 90, and 120 days. Customers with unpaid balances receive statements every thirty days. After a balance is unpaid for 60 days, an accounting department staff member will contact the customer by telephone and attempt to collect the amount due. A record will be kept of all telephone contacts. If 90 days have elapsed without payment, a letter will be sent to the customer requesting payment or documentation that payment has already been made. If 120 days have passed without payment, the account will be turned over to a collection agency if the amount due is less than \$10,000. If the amount due is greater than \$10,000, the account will be turned over to an attorney.
- iii. Credits or Other Adjustments to Accounts Receivable** - From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for billing errors.
- iv. Accounts Receivable Write-Off Authorization Procedures** - It is ensured that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. If an account receivable is deemed uncollectible, the following approvals are required before the write-off is processed:

Amount I Authorized in writing by

Less than \$1,500 I President and Treasurer

\$1,500 or more I Finance Committee

v. Write-Off Process

Once a write-off has been processed, appropriate individuals are to be advised to ensure that further credit is not granted and to update the master list of bad accounts. Customers listed as poor credit risks will be extended future credit only if the back debt is paid and the customer is no longer deemed a collection problem. If write-off procedures have been initiated, the following accounting treatment applies:

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account or against the original account credited. 2. Invoices written off that are dated prior to the current year will be treated as bad debt and will reduce the allowance for doubtful accounts, discussed in the next section.

B. Payables:

- I. **Recording of Accounts Payable** - All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner. Accounts payable are processed on a bi-monthly basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached. Only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment unless the vendor utilizes a 'statement only' system of invoicing.
- II. **Accounts Payable Cut-Off** - For purposes of the preparation of the Association's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the 15th day of the current month shall be recorded as accounts payable for the first payment cycle. Any bills received after the 15th and before the last business day of the current month shall be recorded as accounts payable for the second payment cycle. Any bills received after the last day of the current month will be entered into the system as of the following month, except at year-end when the cut off period shall be extended for 10 business days following the 31st of December.
- III. **Establishment of Control Devices** - The Contractor establishes control of invoices as soon as invoices are received. Vendors will be instructed to mail all invoices directly to the accounts payable department.
- IV. **Preparation of a Voucher Package** - Prior to any account payable being submitted for payment, a package called a "voucher package" shall be assembled. Each voucher package shall contain the following documents:
 - Vendor invoice
 - Packing slip (where appropriate)
 - Any other supporting documentation deemed appropriate
- V. **Processing of Voucher Packages** - The appropriate staff member shall apply the following procedures to each voucher package:

- Check the mathematical accuracy of the vendor invoice.
 - Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report.
 - Document the general ledger distribution, using the Association's current chart of accounts
- VI. **Payment Discounts** - To the extent practical, it is policy to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled to take full advantage of the discounts.
- VII. **Reconciliation of A/P Subsidiary Ledger to General Ledger** - At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated, and adjustments are made, as necessary.

2) Produce Annual Fiscal Year Budget

- A. **Preparation and Adoption** - It is proper accounting policy to prepare an annual budget based on the accounting methods used in its grant contracts. To prepare the Association budget, the Contractor shall gather proposed budget information and prepare the first draft of the budget. Budgets proposed and submitted by the Contractor should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years. After appropriate revisions and a compilation of all budgets by the Contractor, a draft of the organization - wide budget, as well as individual classes, is presented to the Treasurer for discussion, revision, and initial approval. The revised draft is then submitted to the Finance Committee of the Board of Directors, and finally to the entire Board of Directors for adoption. It is proper accounting policy to adopt a final budget at least 30 days before the beginning of the Association's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for accounting services to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.
- B. **Monitoring Performance** - It is proper accounting policy to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting

process described earlier. On a monthly basis, financial reports comparing actual year-to -date revenues and expenses with budgeted year-to • date amounts shall be produced by accounting services and distributed to those with budgetary responsibilities. These individuals shall be responsible for responding with an explanation of all budget variances within 3 business days of receipt.

- C. Budget Modifications** - After a budget has been approved by the Board of Directors, reclassifications of budgeted expense amounts may not be made without approval from the Contractor. Reclassifications of budgeted expense amounts are subject to individual grant requirements. The Contractor is responsible for identifying grant requirements and establishing approval from the funding source involved. The Finance Committee shall be apprised of all requests for budget modifications submitted to a funding source.

3) Produce Quarterly Financial Reports

A. Standard Financial Statements of the Organization - Preparing financial statements and communicating key financial information is a necessary and critical accounting function which shall be conducted under strict adherence of NYSARH Board approved policies and procedures. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons. Audited financial statements that are maintained on an Organization-wide basis shall include:

- I. Statement of Financial Position - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or non - current/long-term.
- II. Statement of Activities - presents support, revenues, expenses, and other changes in net assets of the organization, by category of net asset (unrestricted, temporarily restricted and permanently restricted).
- III. Statement of Cash Flows - reports annually the cash inflows and outflows of the organization in three categories: operating activities, investing activities and financing activities.
- IV. Statement of functional expense.

The internal financial statements of NYSARH include:

- Profit & Loss by Class - Presents the income/expenses of the organization by class
- Balance Sheet

- Profit & Loss Budget vs. Actual Report by Class

B. Frequency of Preparation - The objective of the accounting services is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply: A standard set of internal financial statements described in the preceding section shall be produced monthly, by the 15th day of the following month. The monthly financial statements shall be prepared on the accrual method of accounting, including all receivables, accounts payable received by the last business day of the month. Depreciation is reported annually.

- **Review and Distribution** - A complete set of monthly financial statements, including the Balance Sheet, the P&L by Class, P&L Budget vs. Actual Reports and any necessary supplemental schedules described above, shall be distributed to the Finance Committee for review and clarification as needed.

C. Quarterly Distribution - On a quarterly basis, a complete set of NYSARH financial statements and supplemental schedules shall be distributed to the Finance Committee and to the entire Board of Directors after Finance Committee review. Quarterly financial statements distributed to the Board shall include an additional supplemental schedule prepared or compiled by the Contractor. The purpose of this schedule is to provide explanations for material budget variances in accordance with NYSARH's budget monitoring policies described later in this manual (under the "Financial Management Policies" section).

D. Annual Financial Statements - The Independent Auditor shall provide a formal presentation of the Association's annual financial statements to the Board of Directors. The Board of Directors will vote to accept or reject the annual financial statements and shall report to all NYSARH members at the Annual Meeting.

4) Work with Audit/Reviewer to ensure Annual 990, CHARS00, 1099s, and all other required reporting is filed on time

A. Filing of Returns - It is the policy of NYSARH to become familiar with the

obligations in each jurisdiction and to comply with all known filing requirements. The Contractor shall be responsible for identifying all filing requirements and assuring that NYSARH complies with all such requirements. Accounting staff shall make all efforts to avoid filing misleading, inaccurate or incomplete returns. Filings made by NYSARH include, but are not limited to, the following returns:

- **Form 990 & CHAR500** - Annual information return of tax -exempt organizations, filed with IRS. Form 990 is due on the fifteenth day of the fifth month following year-end. An automatic 3- month extension of time to file Form 990 may be obtained filing Form 8868. Upon expiration of the first 3-month extension, a second 3-month extension may be requested using Form 8868.
- **W-2's and 1099's** - Annual report of employee and non -employee compensation, based on calendar -year compensation, on the cash basis. These information returns are due to employees and independent contractors by January 31 and to federal government by February 28.

NYSARH's fiscal and tax year-end is December 31st.

B. Preparation for the Annual Audit or Review - NYSARH shall be actively involved in planning for and assisting with the Association's independent accounting firm to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department shall assist the independent auditors in the following areas:

- **Planning** - The Contractor will do as much work as possible to assist the auditors and, therefore, reduce the cost of the audit.
- **Interim Procedures** - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Association's year-end. By performing significant portions of audit work as of an interim date, the work required after year- end is reduced.

C. Concluding the Audit or Review - Upon receipt of a draft of the audited financial statements of NYSARH from its independent auditor, the Contractor shall perform a detailed review of the draft, consisting of the following procedures:

- Carefully read the entire report for typographical errors

- Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of NYSARH
- Review each footnote for accuracy and completeness
- Review all findings for accuracy

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Contractor. It shall also be the responsibility Contractor to review and draft a response to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.