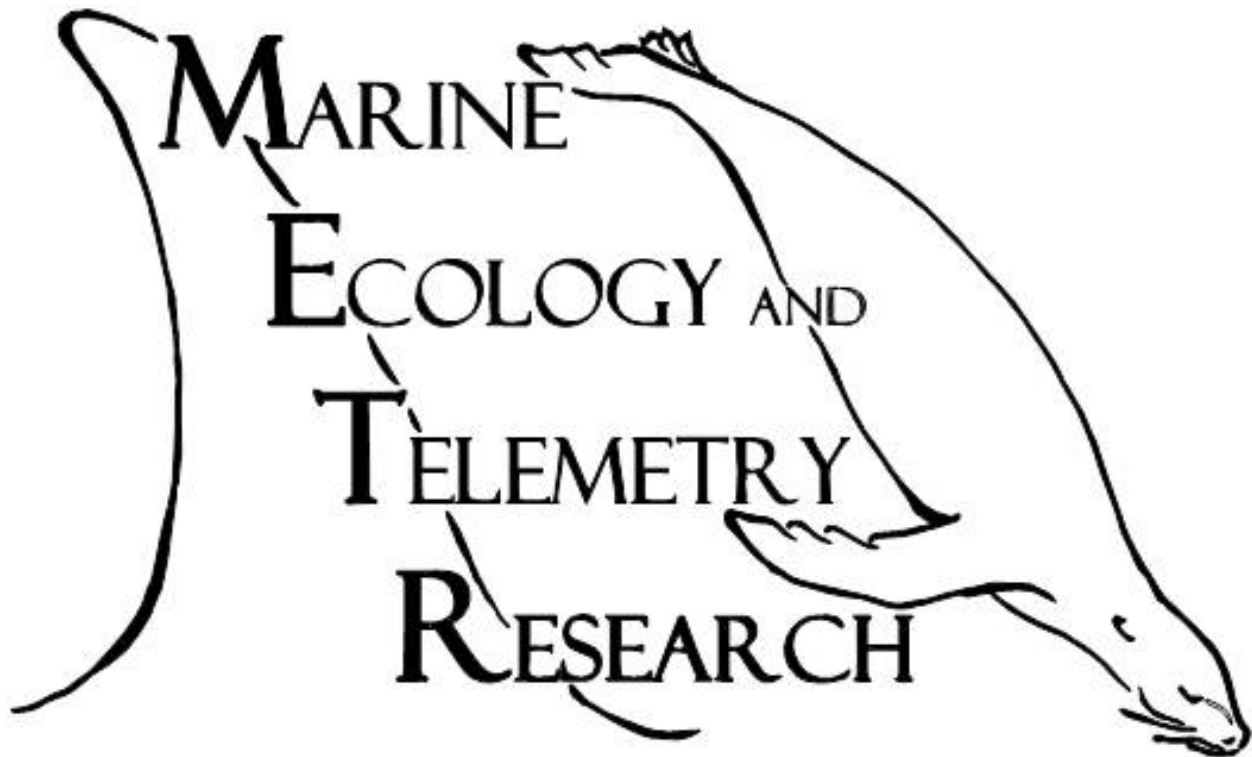


Foundation for Marine Ecology and Telemetry Research

(MarEcoTel)

Policy and Control Procedures

Financial
and
Accounting



Organizational Control Culture

Our intent is to have the Foundation for Marine Ecology and Telemetry Research (hereafter MarEcoTel, or the Corporation) recognized for having a culture that promotes proper internal control over its actions and assets.

Control Introduction

Internal Control

Internal controls are methods and procedures adopted by MarEcoTel to:

- Safeguard its assets.
- Ensure financial information is accurate and reliable.
- Ensure compliance with all financial and operational requirements.
- Assist in achieving the organization's objectives.
- Guide actions so they may not lead to inappropriate or unauthorized activities or any abuse of power, and to provide a balanced perspective on important issues.

Control Procedures

Control procedures are the policies and procedures put in place to ensure that the members of the Board of Directors (the Board) can take corrective actions to ensure we achieve our objectives and protect our assets with as much oversight as deemed prudent. Written procedures help the Board understand our checks and balances over the different areas of our actions and assets. Internal controls are a process, a means to an end, not the end in itself.

Purpose of Controls

The best way for MarEcoTel to reduce risk exposure is to ensure consistently high-quality performances from the Board as a whole, from each member individually and from our contracted service providers. Individual circumstances will define which practices are best. The Board should consider using a qualified consultant or legal counsel to bring fresh ideas and an independent perspective to the task of tailoring a governance policy that is most appropriate for the Board. Each member should be sufficiently knowledgeable about the internal control procedures to properly discharge their duties.

This Policy and Control Procedures Financial and Accounting document has been created for the Board to guide their actions as to their assignments and duties. Each member should thoroughly review this document and become fully aware of what is expected of them as members. Any portion that is not well understood should be discussed either with other member(s) of the Board or with legal counsel. Gaining a good working knowledge of what is expected by the members will guide each to act in the best interest of the Board and to limit risk exposure for all.

Accounting Internal Control Objectives

The Board shall be responsible for MarEcoTel's internal control environment, shall demonstrate a commitment to competence, and recruit into its membership one or more individuals with knowledge in accounting and internal controls to enhance the Board's oversight of those activities. The Board may delegate to the Corporate Officers the maintenance and design of systems of internal controls appropriate for the size and scope of the Corporation's operations. If the Corporation's financial auditors report finding any material weaknesses, significant deficiencies or other internal control matters in internal controls, the Board and the Corporate Officers shall be responsible for correcting

those weaknesses in a manner that is appropriate for the size and scope of the Corporation's operations.

The Corporation's internal controls shall include, to the greatest extent practicable, separation of fiduciary authority from financial accounting responsibility, and/or such redundant fiduciary authorizations as deemed appropriate to compensate for any internal control weaknesses inherent in the small size of the Corporation and its staff.

Accounting internal controls should operate to ensure that financial transactions are executed by individuals with the requisite authority to enter into such transactions. The internal controls should occur in such a way as to:

- Safeguard MarEcoTel's assets;
- Prevent fraud, waste and abuse;
- Provide for a proper segregation of duties;
- Allow for the timely and accurate preparation of financial reports in conformity with generally accepted accounting principles;
- Provide for archival storage and retrieval of MarEcoTel's financial records; and
- Compliance with applicable federal rules and regulations.

To ensure the control objectives are met, the President of the Board is responsible for ensuring that all Board members have received and reviewed the Control documents. The President of the Board is responsible for ensuring that the overall control objectives are followed by MarEcoTel.

General Accounting Policies & Procedures:

General accounting procedures, and the policies described herein, are overseen by the President, followed by the Treasurer, then the other members of the Board of Directors.

MarEcoTel delegates the general accounting procedures to an independent professional accounting firm. The services, to be provided by the accounting firm, are annually determined in an engagement letter. These services, generally, include maintaining the general ledger by recording transactions, updating and reconciling, and balancing the Corporation's accounting records on an annual basis, as well as providing periodic financial reports to the Board. Responsibility for MarEcoTel's financial status, including ensuring financial information is correct, complete, and accurate, is the responsibility of the President of the Board and the Treasurer.

Consistent with the above accounting internal control goals, the following is a listing MarEcoTel's identifiable and implemented accounting controls and policies:

ACCESS TO RECORDS

It is the policy of MarEcoTel to allow any person to inspect the following organizational records:

- IRS Form 990 (available via email request);
- Original application for tax-exempt status (available via email request);
- Audited or reviewed financial statements where applicable (available via email request);
- Conflict of Interest Policy (posted on MarEcoTel's website);
- Controls Policy (posted on MarEcoTel's website).

ACCOUNTS OF MARECOTEL

MarEcoTel tracks its income and expenses from a chart of accounts. Every income or expense is appropriately assigned to an income or expense account from the Chart of Accounts. MarEcoTel's accounting software (currently QuickBooks) houses the official Chart of Accounts, which can be obtained by sending a request to the Accountant, at BusinessAdmin(at)marecotel.org.

ACCOUNTING METHOD

It is the policy of MarEcoTel to utilize the accrual basis of accounting that recognizes revenues when they have been earned and expenses when they have been incurred or obligated, as applicable.

ACCOUNTS PAYABLE ACCRUALS

It is the policy of MarEcoTel to accrue for unpaid expenses at the end of each accounting period (monthly) if any individual expense is more than \$500. Additionally, all unpaid expenses are reviewed to make sure aggregate amounts for each expense type that exceed the \$500 limit are accounted for as payable.

ACCOUNTS RECEIVABLE WRITE-OFF PROCEDURES AND AUTHORITY

If a receivable was recorded within a single annual accounting period, MarEcoTel will use the direct write-off method of writing off bad debts until accounts or pledges receivable become no more than 20% of the total assets of MarEcoTel. Additionally, MarEcoTel will use the allowance method of writing off bad debts at the end of each accounting year.

If a receivable, directly or as an allowance, is deemed uncollectible, approval from the President is required before implementing write-off.

A listing of bad debt write-offs should be included in the financial report to the Board of Directors and to MarEcoTel Officers.

To write-off a bad debt, the following accounting procedures are implemented:

1. Verify the specific account receivable was recorded in the same annual accounting period.
2. Reduce the AR account by the amount being written off.
3. Increase Bad Debt Expense by an equal amount if the direct write-off method is used.

To create an allowance for bad debt, the following account procedures are implemented at the end of the annual accounting period:

1. An estimate is calculated as a percentage of bad debt within accounts receivable based on historic rates of bad debt and current client conditions
2. Reduce the AR account by the allowance amount being written off.
3. Increase Bad Debt Expense by an equal amount.

ADMINISTRATIVE, PROGRAM AND FUNDRAISING ALLOCATIONS

Administrative expenses are negotiated each year through the 'Negotiated Indirect Cost Rate Agreement' process with a cognizant Federal Agency. Administrative expenses will be allocated to the expense category in which they apply according to the Chart of Accounts. Program funds will be used

according to the Statement of Work associated with each individual Program. Fundraising costs/funds will be tracked/accounted for separately.

ALLOCATIONS FOR GENERAL ADMINISTRATIVE EXPENSES

General and administrative expenses will be allocated to the expense class in which they apply: *General and Administrative* with a possibility of a sub-class too.

ALLOCATIONS FOR FUNCTIONAL EXPENSES

Functional expenses will be allocated as a *General and Administrative* or *Project Direct* class. The classification of functional expenses will be determined by Principal Investigators (PI's) and reviewed by the President and Lakeside CPA (the Accountant).

ALLOCATIONS TO BENEFICIARIES

Not applicable.

AMORTIZATION

It is the policy of MarEcoTel to amortize intangible costs over the life of the asset if the life of the asset is over 1 year. Examples of intangible asset costs include, but are not limited to, loan closing, patents, trademarks, proprietary processes, organizational costs, etc.

ANNUAL LEAVE ACCRUAL

Not applicable. See section on Vacation/Sick accrual.

BANK RECONCILIATION

Policy:

- Bank statements will be directed to, opened, and reviewed by the President and the Accountant, including one member of the Accountant's staff who does not have check writing authorizations.
- Bank reconciliations will be conducted in a timely manner by someone who is not a check signer. The reconciliation is done using the program provided in QuickBooks. The reconciliation report is attached to the original bank statement and kept in the appropriate file.
- Voided checks must be documented and accounted for properly.
- A final review of the bank reconciliation is done by the President or Treasurer by the end of the month following each month in question. The bank statement and bank reconciliation statement are placed on the Administrative shared drive, and signatures are placed by the reviewer on each document. These documents are retained in accordance with MarEcoTel's Document Destruction and Retention Policy.

Bill Pay Process

1. The Main Checking (MC) account is used to pay all operating expenses.
2. Funds are kept in the MC account to support operating expenses.
3. The MC account is funded primarily from operations.
4. Bill approval requires Principal Investigator (PI) approval of each bill. Recurring bills can be approved annually. Examples of recurring bills include office telecommunications charges, employee cell/internet reimbursements, software subscriptions.

5. Online bill payment, direct deposits or wire transfers require
 - a. An account signer to authorize disbursement of funds and
 - b. The Corporation's President or Treasurer to be notified of each disbursement, usually through an automated email.
6. Bill payment approval can only be done by a Corporate officer or PI.
7. The Accountant has direct access to MC account for transaction initiation and validation.
8. Copy of approved invoice is sent to the Accountant for matching with financial records.
9. Two different people are required to complete bill pay process:
 - Approval from a Corporate Officer or a PI
 - The Accountant

BONDING OF EMPLOYEES AND VOLUNTEERS

Not applicable at this time.

BUDGETING

It is the policy of MarEcoTel to have a quarterly review of the current financial results through the financial statements at the quarterly Board of Directors meeting. The purpose of the review is for the Board to become familiar with current results and assess forecast goals against actual results and to make adjustments.

Forecast revenue goals are prepared by the President with the help of each Principal Investigator and the Accountant.

The proposal submission section of this document describes the budgeting process at the individual project level.

Cash Management

Cash receipts and disbursements from MarEcoTel's bank accounts follow their Bill Pay Process, a cash management policy that segregates the duties of those handling daily cash transactions from those who review cash transaction as reported by third parties (i.e. bank statements). Current cash management control system has the cash transactions handled by the Corporation's bookkeeping service and the review of cash transactions done by the President each month by comparing reconciliation reports from the books to bank statements.

For the federal awards, the Accountant will monitor and review all expenditures, refunds, and reimbursements for the following:

- Requesting reimbursement only after costs have been incurred;
- Monitoring of cash management (to ensure more funds haven't been requested than have been expended, in case there were refunds/reimbursements elsewhere);
- Repayment of excess earnings (if incurred) – per the process prescribed by the awarder;
- Review and determination that all costs incurred are all in accordance with Subpart E of the Uniform Grant Guidance.

MarEcoTel does not currently keep a petty cash account.

CHECK SIGNERS

It is the policy of MarEcoTel to give check-signing authority to the following positions:

1. President;
2. Treasurer;
3. The Accountant (lead accountant only).

Individuals with bank reconciliation responsibility are prohibited from having check-signing authority. All checks over \$5,000 are required to have documented authorization from a Principal Investigator or another check signer.

CLASSES OF MARINE ECOLOGY AND TELEMETRY RESEARCH

Class allocation of income and expense transactions is used to track which segment of business the transaction relates to. Sub classes are used to further distinguish transactions.

MarEcoTel's accounting software (currently QuickBooks) houses the official Chart of Classes, which can be obtained by sending a request to the Accountant, at BusinessAdmin(at)marecotel.org.

CLEARING ACCOUNTS

Not applicable.

COLLECTION PROCEDURES

Invoices are prepared for any services rendered or products sold by the MarEcoTel. All invoice amounts and customers are reviewed by the responsible Principal Investigator or by the President before they are sent out. Invoices can be sent by any customer acceptable means.

Invoices are recorded in the general ledger when they are prepared. At this point in time, the accounts receivable is debited and revenue is credited. When cash is received, cash is debited and accounts receivable is credited.

Copies of all invoices are kept in the Corporations files.

An aging list is kept in QuickBooks so the amount of time it takes for an invoice to be paid can be tracked and collection efforts can be started in a timely fashion.

See Accounts Receivable Write-off Procedures and Authority for handling of uncollectible accounts.

CONTRACT SIGNING AUTHORITY

It is the policy of MarEcoTel that all contracts will be reviewed and signed by the President. In the absence of the President, a member of the Board will review and sign any contract. In the event of a conflict of interest between the contract and the signer, an alternate Board member will review and sign the contract.

CONTRIBUTIONS – CASH

It is the policy of MarEcoTel to send thank you letters on MarEcoTel letterhead for all contributions over \$250. In the event of cash contributions, the letter should state the amount of the contribution. The letter must also state that the donor did not receive any goods or services in exchange for the contribution (IRS Code Section 170).

CONTRIBUTIONS – IN KIND

It is the policy of MarEcoTel to send thank you notes for all goods and services over \$250 given to MarEcoTel. The letter will describe the goods or services donated in detail and the gift date. If

applicable, the letter must also state that the donor did not receive any goods or services in exchange for the donation. MarEcoTel never assigns a tax-deductible value to an in-kind donation, including stocks.

The Accountant is responsible for appropriate tax reporting of in-kind contributions.

CONTROL OVER CHECKS AND CASH

It is the policy of MarEcoTel that all checks and cash are deposited in the bank within three days of receipt. It is the responsibility of the President or Treasurer to receive checks through the mail and endorse them immediately. The endorsed checks are deposited in the bank daily either in person or through mobile deposit by the President or Treasurer.

COSTS OF GOODS SOLD

Not applicable.

CREDIT CARDS, COMPANY ISSUED

A MarEcoTel credit card provides personnel with the ability to effectively and efficiently make purchases in relation to the Corporation's budget, or a PI's project budget. The President will approve the issuance of all credit cards issued in MarEcoTel's name. The card may be used only for the purchase of goods or services for official business of the Corporation. All purchases will be within current budget line-item amounts. The person issued the card is responsible for its protection and custody and shall immediately notify the credit card company and President if it is lost or stolen. When a person's affiliation with the Corporation has ended, the person issued the card must immediately surrender the card to the President or the Accountant. The person using a credit card for purchases that cannot be substantiated as a necessary purchase for official business will be subject to disciplinary action. Credit card statements, along with receipts for all items to be paid will be reconciled monthly. Receipts must show the date, purpose, and name(s) for which the expense was incurred. Credit card statements will be directed to, opened and reviewed by the President and the Accountant, including one member of the Accountant who does not have credit card spending authorizations.

- Credit card reconciliations will be conducted in a timely manner by someone who is not an authorized spender on the credit card. The reconciliation is done using QuickBooks. The reconciliation report is placed with the original bank statement and kept in the appropriate file.
- Credits must be documented and accounted for properly.
- A final review of the credit card reconciliation and statement is done by the President.

DEBT

Any debt obligations MarEcoTel enters into, besides credit card charges, must be approved in writing by the President. Any debt incurred over the amount of \$10,000 other than course of ordinary business will require Board approval.

Long-term debt is the amount owed by MarEcoTel on mortgages and notes payable that is not due within 12 months. The portion of the debt that is due in the current period is considered current portion of long-term debt and will be recorded as an amount payable in the current portion of the balance sheet. Only the non-current portion of long-term debts will be included in the long-term debt section of the financial records.

DEPRECIATION

It is the policy of MarEcoTel to depreciate capital expenditures and leasehold improvements exceeding \$5000 over the remaining life of the asset or lease term as appropriate. Each capitalized asset is assigned a useful life by the Accountant (with input from the President) based on the prescription below and use estimates for the asset.

ASSET CLASSIFICATION	USEFUL LIFE (YEARS)
Software	3
Office equipment	5
Vehicles and Vessels	7 – 10
Furniture & Fixtures	5 – 10
Improvements	10 – 20
Buildings	30 - 40

DISCOUNTS ON ACCOUNTS RECEIVABLE

There are no discounts given on any accounts receivable.

DISCOUNTS ON ACCOUNTS PAYABLE

It is the policy of MarEcoTel to pay accounts in a timely manner so that all discounts offered will be taken.

DISCOUNTS ON SALES

Not applicable.

DONOR-RESTRICTED NET ASSETS

It is the policy of MarEcoTel to only accept donor restricted net assets if no other means of accessing similar assets is available and restricted net assets facilitate the mission of MarEcoTel.

Any donations with a donor intent of permanent or temporary restriction on asset use must be approved by the President before the donation can be accepted.

It is the policy of MarEcoTel to account for net assets temporarily or permanently restricted by the donor as separate items in the equity portion of the financial statements. It is the policy of MarEcoTel to release items that are received and meet those restrictions in the same period as “unrestricted”. Restricted assets will be tracked in a spread sheet by the Accountant, who is responsible for reviewing and reconciling all items for proper addition and release from a restricted designation.

When assets are released from restriction, the temporarily restricted net assets account will be reduced accordingly.

EMPLOYEE BENEFITS ACCRUAL

It is the policy of MarEcoTel that employees will accrue benefits as specified in MarEcoTel’s Personnel policy.

EMPLOYMENT FORMS REQUIRED

It is the policy of MarEcoTel that all employees will provide a DHS form I-9 (and show appropriate ID), an IRS form W-4, and an employment agreement.

ENDOWMENT FUNDS

See Permanently Restricted Net Assets.

EMPLOYEE EXPENSE REIMBURSEMENTS

Employees can pay for business expenses personally and be reimbursed. Each month employees with reimbursable expenses will submit an expense worksheet (template provided by MarEcoTel) to the President and the Accountant. Each expense worksheet will include a date for the last day in the reporting period, name of the employee, approving signature of the employee and a list of the reimbursable expenses. Each reimbursable expense on the worksheet will include class, project (if a direct expense), assigned account, amount, description of expense, and type of documentation submitted to verify the expense. If a receipt is not submitted as verification of the expense, a copy of a bank statement showing the expense can be submitted but additional explanation of the expense will be required. A lost receipt form can also be submitted instead of a receipt but requires additional explanation.

The President will review the expense reports to make sure they appear reasonable. An employee of the Accountant will verify each expense with its submitted documentation and review expenses for reasonableness again. Reimbursable expenses will then be added to the accounting system (QuickBooks). An employee of the Accountant will verify reimbursable amount with approved expense worksheets and then reimburse employees through electronic deposit. Reimbursed amounts will be recorded in a report and saved to the appropriate folder in MarEcoTel's online filing system.

Each project Principal Investigator is ultimately responsible for ensuring that charges posted as project expenses are valid and appropriate, and the President is ultimately responsible for ensuring that charges posted as Administrative are valid and appropriate.

FEDERAL IDENTIFICATION NUMBER

The Federal ID number for MarEcoTel is 81-1023070.

FINANCIAL STATEMENT PREPARATION AND DISTRIBUTION

It is the policy of MarEcoTel to prepare and distribute quarterly financial statements that will include:

- Statement of Financial Position (Balance Sheet).
- Statement of Activity (Profit and Loss)

These statements are distributed to the Board of Directors. The President is responsible for reviewing the statements before each Board Meeting.

GENERAL LEDGER MAINTENANCE/TRANSACTION POSTING:

The maintenance of MarEcoTel's general ledger and the posting of individual transactions of MarEcoTel are completed by the Corporation's bookkeeping service, providing for timely and accurate financial data as well as financial record retention. These transactions are available to the President twice a

month through copies of the bookkeeping records, and can be corroborated online via MarEcoTel's banking services.

GRANTS

It is the policy of MarEcoTel that grant income be shown on the balance sheet as a refundable advance when the cash has been received but MarEcoTel must fulfill an obligation of service to the grantor. If no obligation of service to the grantor is required, and no restriction is stated, the grant will be stated as an unrestricted contribution income in the income/expense statement. If the grant is a reimbursement-style grant and services must be performed prior to receiving the cash, the grant will not be recorded until the service is performed. If the cash is received and there is no obligation of service, but the grantor has restricted the use of the money to a particular program, it will be recorded as a temporarily restricted contribution until such time as MarEcoTel spends the money in compliance with the restriction.

INDEPENDENT CONTRACTORS

It is the policy of MarEcoTel to issue independent contractors an Independent Contractor Agreement and issue IRS Form 1099 if compensation is over \$600 when the contractor is not a corporation or LLC, as required by the IRS.

INDIRECT COST RATE

On an annual basis, the Federal Agency through which MarEcoTel has the majority of its Awards (currently Office of Naval Research), conducts a review of MarEcoTel's previous year's Provisional Indirect Cost Rate and Fringe Benefit Rate to determine a Final Rate, and provides MarEcoTel with a Provisional Rate to be charged in the following year (a process leading to a Negotiated Indirect Cost Rate Agreement, or NICRA). MarEcoTel's Indirect Cost Rate submissions are based upon directives found at: <https://www.dol.gov/agencies/oasam/centers-offices/office-of-the-senior-procurement-executive/cost-price-determination-division/guide-for-indirect-cost-rate-determination-for-nonprofit>.

INSURANCE

It is the policy of MarEcoTel to review insurance policies each year to ensure coverage and limitations adequately meet the needs of MarEcoTel, its employees, and members of the Board. The following insurance policies will be maintained along with others needed, where applicable.

- Directors and Officers Insurance;
- General Liability;
- Professional Liability;
- Workers Compensation;
- Auto Liability;
- Vessel Insurance, Protection, and Indemnity.

INVESTMENT ACCOUNTS

Investment accounts are not allowed at MarEcoTel, unless approved by the Board and allowed by the source of the funds.

IRS FORMS 990

The IRS Form 990 is completed each year by the Accountant (implemented starting for 2018 return). The draft 990 is reviewed, prior to submission, by at least the President and two members of the Board who are annually assigned to be part of the Financial Review Committee. The approved submission is signed by the President, and submitted by the Accountant. All members of the Board receive a copy upon submission. It is the policy of MarEcoTel to provide electronic copies of IRS form 990 to those who request it.

IRS FORM W-9

It is the policy of MarEcoTel that all independent contractors shall complete IRS form W-9. A permanent file of all W-9's will be kept online in electronic format.

LEASEHOLD IMPROVEMENTS

Leaseholds would be amortized over the life of the improvements or the life of the lease, whichever is shorter.

LOANS PROHIBITED

It is the policy of MarEcoTel to prohibit loans to employees, volunteers and members of the Board under all circumstances.

MARECOTEL INTERNALLY FUNDED PROJECTS

Employees may petition the Board to fund projects of interest/relevance using general funds. Examples include travel funds for professional conferences, small relevant research projects that aren't currently funded with project funds, etc. The Board will make a determination to fund the project based on a) overall value to the Corporation/employee, b) amount of funding available, if any.

NON-SUFFICIENT FUNDS CHECKS RECEIVED

It is the policy of MarEcoTel to include checks returned by the bank because of non-sufficient funds in the accounts receivable section of the balance sheet. If the check(s) in question are eligible for redeposit, the subsequent deposit will reduce the receivable account accordingly.

If the check(s) in question are prohibited from redeposit, MarEcoTel will implement its accounts receivable write-off procedures and authority. A non-sufficient Funds Check-Log will be maintained in the office files. Future checks will not be accepted for purchases from those organizations on the NSF check list.

PETTY CASH FUND

It is MarEcoTel's policy to not have a petty cash fund. If cash is needed for business activity, the President or Treasurer will withdraw funds from the primary checking account in the amount necessary for the specific need. The responsible party for the withdrawal will notify the Accountant about the action with specific information about the reason for needing the cash and how it should be recorded in the accounting system (QuickBooks).

POSTAGE EXPENSE

It is the policy of MarEcoTel to charge the appropriate accounting class for actual postage used.

PREPAID EXPENSES

It is the policy of MarEcoTel to record items with future benefit as Prepaid Expense if the expenditure is in excess of \$500. Records of any prepaid expenses will be maintained by the President and the Accountant. Prepaid expenses will be recorded according to actual benefit or expense to each account and class accordingly.

The Accountant will perform a review of expenses under \$500 at year end for any that are prepaid expenses at that time. If the aggregate of these expenses is over \$2,000, an adjusting entry will be made to show the aggregate total as a prepaid expense.

PROCUREMENT POLICY

MarEcoTel maintains a separate Procurement Policy.

PROPOSAL SUBMISSION

It is the policy of MarEcoTel that all proposals which will be submitted to a funding agency or grantor need to be reviewed and approved by current PI's and/or the Board prior to submission to ensure consistency with the mission statement, and coordination with any similar work in place or proposed. Budgets for new proposals shall be submitted by the applicable PI to the Accountant for review at least three business days prior to the proposal due date. See section 'Contract Signing Authority' for details on accepted proposals.

QUID PRO QUO CONTRIBUTIONS

It is the policy of MarEcoTel to inform contributors in writing of a good faith estimate of the nondeductible portion of any quid pro quo contributions made for any fundraising activity. An attempt will be made to fulfill the requirement in the most cost-effective way possible.

RECORDS RETENTION AND DESTRUCTION

It is the policy of MarEcoTel to retain records as required by law and to destroy them when appropriate. See MarEcoTel's Document Retention and Destruction Policy.

REFUNDS

Refunds of expenditures are adjustments to amounts previously paid. Refunds of expenditures in the same fiscal year are coded as credits against the expenditure. Prior-year refunds of expenditures are treated as revenue and coded as miscellaneous revenue.

REPAIRS AND IMPROVEMENTS

Repairs and Improvements on any one individually usable item exceeding \$5,000 and with a life expectancy of longer than 1 year will be capitalized as furniture or equipment and shown as an asset in the Balance Sheet. Repairs and Improvements exceeding \$5,000 will be depreciated according to the depreciation schedule. Repairs and Improvement expenditures less than \$5,000 will be expensed as incurred.

REPORTS

Reports required by awards to MarEcoTel will be the responsibility of the MarEcoTel Principal Investigator on the award, who will track reporting requirements of the award, make sure the reports are produced, review the reports and deliver the reports as specified in the award.

REVENUE CATEGORIES

See Chart of Accounts for Revenue Categories.

SALES AND B&O TAX POLICY

It is the policy of MarEcoTel to pay sales, B&O, and other applicable tax according to Washington state law.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A schedule of expenditures of federal awards is prepared and reviewed annually by the President as part of the NICRA agreement discussed in the indirect cost rate section of this document. The Accountant reviews the schedule for completeness and accuracy.

SUBRECIPIENT AWARDS

MarEcoTel maintains a separate Subrecipient Awards policy

TELEPHONE/INTERNET EXPENSE

Telephone bills and internet bills will be allocated to the administrative class unless calls can be identified to a particular class (e.g. phone needed specifically for a single project out of the country). Employees working 50% of time or more remotely will be provided a stipend for internet costs of up to \$50/month. Employees with substantial field work (e.g. more than 3 trips per year) will also be given a \$50/month reimbursement towards their cellular phone bill, as the phones are necessary to communicate in the field. Employees will be required to provide a copy of receipts annually for internet and/or cell phone charges to verify employee expense.

TIME SHEETS

Employees are required to keep track of their time using MarEcoTel's provided timesheet. Timesheets are due twice a month, and each employee must sign their timesheet attesting to its accuracy. Prior to payroll, timesheets are reviewed by the President or the Treasurer. In the case of a timesheet submission by the President, the Treasurer must review it before payroll, and vice-versa.

UNRELATED BUSINESS INCOME TAX

Not applicable.

UNUSED PROGRAM ALLOCATION

For Firm-Fixed Price (FFP) contracts, the goal is to finish a project under budget when practical. In the case where this occurs, excess FFP funds are used in the following order, starting with the first item listed and continuing until all funds are used up:

1. The PI for the specific FFP contract may carry an account for excess funds for one year after contract closes. Funds are available to the PI in the following order of priority for:

- a. Costs directly associated with the continuation of the project's work, e.g. publication of findings.
 - b. The PI can elect to transfer excess funds to the general funds account if the PI does not foresee further approved expenditures within the one year time frame.
2. After one year, funds are automatically transferred from specified PI FFP accounts to the general fund. These funds are then used for general company expenses.

VACATION AND SICK LEAVE ACCRUAL

It is the policy of MarEcoTel that employees will earn vacation and sick leave to be accrued as specified in MarEcoTel's Personnel policy.

VOIDED CHECKS

It is the policy of MarEcoTel to record each and every check in the checking register in QuickBooks. All voided checks will be so noted. Voided checks returned to MarEcoTel will be kept in appropriate files for the duration of time as required in the Document Retention and Destruction policy.

WITHOUT DONOR RESTRICTIONS

It is the policy of MarEcoTel to account for unrestricted net assets as a separate item in the equity portion of the financial statements.