

ARTICLE I. FUNDS

A. Expenditure of Funds

1. The Contractor shall expend all funds received hereunder in accordance with this Agreement.
2. The Area Agency on Aging (AAA) reserves the right to refuse payment to the Contractor or disallow costs for any expenditure, as determined by the AAA to be: out of compliance with this Agreement, unrelated or inappropriate to contract activities, when adequate supporting documentation is not presented, or where prior approval was required but was either not requested or not granted.

B. Accountability for Funds

1. The Contractor shall maintain accounting records for funds received under the terms and conditions of this Agreement. These records shall be separate from those for any other funds administered by the Contractor, and shall be maintained in accordance with Generally Accepted Accounting Principles and Procedures and the Office of Management and Budget's [2 CFR, Part 200], Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.
2. The Contractor shall meet the following standards for its financial management systems, as stipulated in 2 CFR 200.302 and 45 CFR 75.302
 - a. Financial Reporting.
 - b. Accounting Records.
 - c. Internal Control.
 - d. Budgetary Control.
 - e. Allowable Costs.
 - f. Source Documentation.
 - g. Cash Management
 - h. Complete Disclosure

C. Unexpended Funds

Upon termination, cancellation, or expiration of this Agreement, or dissolution of the entity, the Contractor shall return to the AAA immediately upon written demand, any funds provided under this Agreement, which are not payable for goods or services delivered prior to the termination, cancellation, or expiration of this Agreement, or the dissolution of the entity.

ARTICLE I. FUNDS (Continued)

D. Availability of Funds

1. It is understood between the parties that this Agreement may have been written before ascertaining the availability of appropriation of funds, for the mutual benefit of both parties, in order to avoid program and fiscal delays that would occur if this Agreement were executed after that determination was made.
2. This Agreement is valid and enforceable only if sufficient funds are made available to the State by the United States Government or the Budget Acts of the appropriate fiscal years for the purpose of this program. In addition, this Agreement is subject to any additional restrictions, limitations, or conditions enacted by the Congress or to any statute enacted by the Congress that may affect the provisions, terms, or funding of this Agreement in any manner.

3. Limitation of State Liability

Payment for performance by the Contractor shall be dependent upon the availability of future appropriations by the Legislature or Congress for the purposes of this contract and approval of a Budget. No legal liability on the part of the AAA for any payment may arise under this contract until funds are made available, the itemized budget is received and approved by the AAA, and the Contractor has received an executed contract.

4. Funding Reduction(s)

- a. If funding for any State fiscal year is reduced or deleted by the Legislature, or Congress for the purposes of this program, the AAA shall have the option to either:
 - Terminate the Contract pursuant to **Exhibit D, Article XI, A.**
 - Offer a contract amendment to the Contractor to reflect the reduced funding for this contract.
- b. In the event that the AAA elects to offer an amendment, it shall be mutually understood by both parties that (1) the AAA reserves the right to determine which services, if any, under this program shall be reduced and (2) some programs may be reduced by a greater amount than others, and (3) that the AAA shall determine at its sole discretion the amount that the contract shall be reduced for the fiscal year.

ARTICLE I. FUNDS (Continued)

E. Interest Earned

1. Contractor may keep interest amounts earned on advances of federal funds up to \$500 per year for Local Government Agencies and non-profit organizations for administrative expenses. [2 CFR 200.305(b)(9)] [45 CFR 75.305(b)(9)]
2. Interest earned on advances of Federal and non-Federal funds shall be identified as non-match cash. [2 CFR 200.305(b)(8)] [45 CFR 75.305(b)(8)]
3. The non-Federal entity must maintain advance payments of Federal awards in interest bearing accounts, unless (a), (b), or (c) apply. [2 CFR 200.305 (b)(8)] [45 CFR 75.305 (b)(8)]
 - a. The Contractor receives less than \$120,000 in Federal awards per year.
 - b. The best reasonably available interest bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
 - c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

ARTICLE II. BUDGET AND BUDGET REVISION

- A. The Contractor shall be compensated for expenses only as itemized in the approved Budget and shall not be entitled to payment for these expenses until the Budget is reviewed and approved by the AAA. The approved Budget is hereby incorporated by reference into this Agreement as a part of **Exhibit C**.
- B. The Budget must set forth in detail the reimbursable items, unit rates and extended total amounts for each line item. The Contractor's budget shall include, at a minimum, the following items when reimbursable under this Agreement:
 1. Personnel Costs-monthly, weekly, or hourly rates, as appropriate and personnel classifications together with the percentage of time to be charged to this Agreement.
 2. Fringe Benefits.
 3. Contractual Costs-subcontract and consultant cost detail.
 4. Indirect Costs.

ARTICLE II. BUDGET AND BUDGET REVISION (Continued)

5. Rent-specify square footage and rate.
 6. Supplies.
 7. Equipment-detailed descriptions and unit costs.
 8. In State Travel-mileage reimbursement rate, lodging, per diem and other costs.
 9. Out of State Travel-any travel outside the State of California including mileage reimbursement rate, lodging, per diem and other costs.
- C. The Contractor shall electronically submit the original Budget.
- D. The Contractor shall electronically submit a budget revision 30 days after receiving an amended Budget with changes in funding levels, unless otherwise instructed by the AAA.
- E. Matching Requirements
1. The required program matching contributions for Title III C is 10 percent.
 2. Minimum matching requirements are calculated on net costs, which are total costs less program income, non-matching contributions, and State funds.
 3. Matching contributions generated in excess of the minimum required are considered overmatch.
- F. Indirect Costs
1. The maximum reimbursement amount allowable for indirect costs is 10% of Contractor's direct costs, excluding in-kind contributions and nonexpendable equipment, unless there is an accepted negotiated rate accepted by all Federal awarding agencies. [2 CFR 200.414(c)(1),(f)] [45 CFR 75.414(c)(1),(f)].
 2. Contractors requesting reimbursement for indirect costs shall retain on file an approved indirect cost rate or an allocation plan documenting the methodology used to determine the indirect costs.
 3. Indirect costs exceeding the 10% maximum may be budgeted as in-kind and used to meet the minimum matching requirements.

ARTICLE III. PROGRAM INCOME

A. Program Income

1. Program Income must be reported and expended under the same terms and conditions as the program funds from which it is generated.
2. Program Income must be used to pay for current allowable costs of the program in the same fiscal year that the income was earned (except as noted in 4).
3. Program Income must be spent before contract funds (except as noted in 4) and may reduce the total amount of contract funds payable to the Contractor.
4. If Program Income is earned in excess of the amount reported in the Budget, the excess amount may be deferred for use in the first quarter of the following contract period. If Program Income is deferred for use it must be used by the last day of the Federal fiscal year and reported when used.
5. Program Income may not be used to meet the matching requirements of this Agreement.
6. Program Income must be used to expand services.

B. One-Time-Only (OTO) Funds

1. OTO funds are non-transferable between funding sources. This means that OTO funds can only be used in the program in which it was accrued.
2. Title III Federal Program One-Time-Only funds shall be used for the following purposes:
 - a. The purchase of equipment that enhances the delivery of services to the eligible service population must be an allowable cost of the program.
 - b. Home and community-based projects that are approved in advance by the Department, and are designed to address the unmet needs of the eligible service population identified in the Area Plan.
 - c. Innovative pilot projects that are approved in advance by the Department, and are designed for the development or enhancement of a comprehensive and coordinated system of services as defined in [45CFR 1321.53(a) & (b).]

ARTICLE III. PROGRAM INCOME (Continued)

- d. Baseline services. OTO funds can be used to maintain or increase baseline services. However, AAAs shall assure that services funded with OTO funds will not create an expectation of service delivery beyond the current contract period. Expenditures for baseline services do not require advance Department approval.
- 3. Nutrition Services Incentive Program (NSIP) One-Time-Only funds shall be used to purchase food used in the Elderly Nutrition Program.

C. Matching Contributions

Matching Contributions mean local cash and / or in-kind contributions by the Contractor, or other local resources that qualify as match for the contract funding.

- 1. Cash and / or in-kind contributions may count as match, if such contributions are used to meet program requirements.
- 2. Any matching contributions (cash or in-kind) must be verifiable from the records of the Contractor or subcontractor.
- 3. Matching contributions must be used for allowable costs in accordance with the Office of Management and Budget (OMB) circulars.

ARTICLE IV. PAYMENTS

- A. The Contractor shall prepare and submit by the 15th of each month to the AAA, in electronic format, an Expenditure and Request for Funds Data file, unless otherwise specified by the AAA.
- B. The AAA shall review requests for payment to ensure compliance with the approved Budget.
- C. The AAA may require financial reports more frequently than indicated above or with more detail (or both), upon written notice to the Contractor, until such time as the AAA determines that the financial management standards are met.

ARTICLE IV. CLOSEOUT

- A. No later than forty-five (45) days after the ending date of this Agreement, Contractor shall provide the AAA with a Closeout Report of funds which have remained unexpended at the ending date of the grant. Upon termination or expiration of this Agreement, upon written demand, Contractor shall immediately return to AAA any unencumbered funds received under this Agreement.

ARTICLE V. CLOSEOUT (Continued)

- B. Federal funds will be reduced proportionately to maintain the required matching ratios if a Contractor fails to report sufficient match in the Closeout Report.