



League City Regional Chamber of Commerce

Financial Policies & Procedures Manual

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CHAPTER 1 **INTRODUCTION**

The League City Regional Chamber of Commerce (LCRCC) is the premier business advocacy organization in the League City area. The LCRCC is exempt from taxation under Section 501 (c)(6) of the Internal Revenue Code. Its fiscal year-end is December 31. Membership in the LCRCC consists of all types of businesses: public corporations, small businesses, not-for-profit organizations, government agencies as well as non-voting individual memberships.

The mission of the League City Regional Chamber of Commerce is to serve our members and enhance our community by building business success. The Board shall manage the affairs of the LCRCC and oversee the activities of the committees. The appointed President & CEO reports to the Board Chair and is responsible for carrying out basic policies, as determined by the Board of Directors, and the management of the LCRCC and its Staff. Under the guidance of the President & CEO, the Staff plans and coordinates the Chamber's activities by performing their assigned duties.

I. FINANCE COMMITTEE MAKEUP, STRUCTURE & RESPONSIBILITIES

- A. The Finance Committee shall consist of the Board Treasurer, at least two (2) additional Directors appointed by the Board Chair and at least two (2) members at large who are in good standing to serve one-year terms with no limit on the number of consecutive terms, as long as the members continue to serve as Directors. The President & CEO serves on the committee with no vote. No two voting members of the committee shall be from the same firm or employer.
- B. The Finance Committee is the committee that helps guide and advises the Chamber and the board regarding Financial Policy and Procedures.
- C. The committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The committee will take appropriate actions to set the overall "tone" for quality financial reporting, sound business risk practices and ethical behavior. The Finance Committee shall be responsible for:
 - 1. Overseeing all financial functions and fiscal policies of the Corporation, including preparation of an annual budget for each fiscal year and financial statements and summaries prepared periodically during the year, all of which shall be presented to the Board of Directors.
 - 2. Coordinate with any book keeping, CPA firms or other informed parties regarding changes in accounting practices related to and impacting the LCRCC.
 - 3. Collaboration with all Staff members in preparing an annual budget.
 - 4. Development and adhering to sound fiscal policies and procedures.
 - 5. Maintaining sound internal control policies and procedures.

6. Timely and accurate financial reporting.
7. Effective use of information technology.
8. Office operations and facilities management.
9. Responsible for reviewing proposals and making recommendations, to the Executive Committee, on banking institutions to be used by the LCRCC.
10. The committee shall discuss the LCRCC's policies with respect to risk assessment and risk management, including the risk of fraud. The committee also shall discuss the LCRCC's major financial risk exposures, and the steps management has taken to monitor and control such exposures.
11. The Finance Committee is responsible for all financial activities and reporting requirements of the LCRCC. Additionally, the Committee provides financial information to the Board of Directors, the Executive Committee as well as the Staff as needed

D. Audit Responsibilities:

1. With Board approval, the Committee shall coordinate an audit of the Corporations' financial statements by an independent 3rd party CPA firm at the agreed upon frequency, at least as frequently as every 2 to 3 yrs., with the financial statements and report being presented to the Board of Directors. In other years, the accounting records of the LCRCC may be reviewed by a qualified independent 3rd party or an internal committee as determined they are required by the Finance Committee or Board with prior Board approval. Any review or audit report shall be provided to the Finance Committee, Executive Committee and Board of Directors as well as any members requesting a copy.
2. The committee shall be responsible for recommending, to the Executive Committee, the selection of the independent audit firm, compensation, retention and oversight of the work of the independent auditors (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the LCRCC. The independent auditors must report directly to the Executive and Finance Committees.
3. The committee shall pre-approve all audit and non-audit services provided by the independent auditors and shall not engage the independent auditors to perform non-audit services where such an arrangement would result in the auditors auditing their own work.
4. The committee shall discuss with the independent auditors the overall scope and plans for their respective audits.
5. The committee shall regularly review with the independent auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditors' activities or access to requested information, and management's response. The committee shall review any

accounting adjustments that were noted or proposed by the auditors but were “passed” (as immaterial or otherwise); any communications between the audit team and the audit firm relating to problems or difficulties encountered with respect to significant auditing or accounting issues; and any “management” or “internal control” letter issued, or proposed to be issued, by the audit firm to the LCRCC.

6. The committee shall review and discuss any annual audited financial statements with management and the independent auditors prior to the issuance of the organization’s financial statements. Prior to the issuance of the LCRCC’s audited financial statements, the committee shall receive a report from the independent auditors on all critical accounting policies and practices of the LCRCC; all material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the independent auditor; and other material written communications between the independent auditors and management.
7. It is the policy of the LCRCC to obtain and review the draft of the independent auditor’s engagement letter to ensure that it covers matters important to the management. The engagement letter will be reviewed and approved prior to signing by the Finance Committee and after which, will be signed by the President & CEO.
8. It is the policy of the LCRCC to distribute any audited financial statements, following approval by the Finance Committee, to the Executive Committee and the Board of Directors within 60 days.

II. PURPOSE OF THIS MANUAL

- A. The policies and procedures discussed herein address the various accounting and financial policies, internal control policies, risk reduction policies and office administration policies relevant to the operation of the League City Regional Chamber of Commerce. These written policies are designed to ensure financial accountability and transparency, eliminate misunderstandings and protect the assets and viability of the LCRCC. It is the responsibility of the Finance Committee to ensure sound accounting practices and internal controls.
- B. While every effort is made to keep this manual up-to-date, all items referenced herein are subject to modification, amendment or deletion. All amendments will be brought before the Finance Committee for recommendation to the Board for approval with the amendment date noted on the cover page.
- C. All manuals are property of the LCRCC. The President & CEO is responsible for the distribution of this manual to said employees who, in turn, are responsible for safeguarding the materials and inserting approved changes. The Manual must be returned to the President & CEO upon termination of employment.

III. SEGREGATION OF DUTIES

- A. Effective internal controls mandate, when possible, an adequate segregation of duties to reduce the probability of dishonesty.
- B. It is the policy of the LCRCC to ensure an adequate segregation of responsibilities regarding all aspects of the financial operations of the LCRCC to include but not limited to cash receipts, bank deposits, bank statement reconciliations, invoice approval, check preparation, check signing and expense reimbursement approvals. Additionally, the LCRCC will consult with its independent CPA firm to study internal controls and recommend improvements in the segregation of duties.

IV. COMPREHENSIVE POLICY

- A. All accounting and financial policies contained within this manual are all inclusive and supersede all previously adopted accounting and financial policies. Furthermore, any exception to a policy must be clearly documented and will not in any way make the exception a policy.
- B. The Finance Committee may refer a policy to another committee for review if deemed appropriate; however, the Board will have final approval. Therefore, any policy additions and changes to a policy will be required to go through the established review and approval process.

CHAPTER 2

GENERAL LEDGER ACTIVITY AND FINANCIAL STATEMENT PRESENTATION

I. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

- A. It is the policy of the LCRCC to use the modified accrual basis of accounting where revenues are recognized when they are earned and expenses are recognized when the related goods or services are used. Event revenues that are received in the LCRCC office after the accounting period that applies to the revenue will be recognized in the subsequent period when payment is received by the LCRCC. The financial statements will be prepared following generally accepted accounting principles.
- B. Membership dues revenues are recorded ratably over the applicable membership period.

II. CHART OF ACCOUNTS

- A. The chart of accounts is the foundation of the accounting system. It is constructed to allow a trained accountant an immediate understanding of the accounting numbering system. The LCRCC chart of accounts is divided into five major account groupings and then subdivided as needed:

Account Classification

Financial Statement

- | | |
|-----------------------------|----------------------------------|
| 1. Assets | Statement of Financial Position |
| 2. Liabilities | Statement of Financial Position |
| 3. Net Assets/Member Equity | Statement of Financial Position |
| 4. Revenues | Statement of Revenue and Expense |
| 5. Expenses | Statement of Revenue and Expense |
- B. It is the policy of the LCRCC to maintain a chart of accounts. A current chart of accounts is necessary to ensure proper account coding and all employees involved with account coding responsibilities or budgetary responsibilities will be issued a chart of accounts. The President & CEO is the only employee with authority to add or delete accounts after Board Approval.

III. JOURNAL TRANSACTIONS

- A. It is the policy of the LCRCC to record and post monthly all general journal ledger entries to the general ledger. All entries that do not originate from journals must be supported by adequate documentation. Nonrecurring adjusting journal entries must be prepared to properly reflect account balances. Nonrecurring adjusting journal entries include, but are not limited to, the following:
1. Recording of non-cash transactions
 2. Correction of posting errors
 3. Accrual of income and expense items
- B. All non-recurring adjusting journal entries must be authorized by someone who is not involved in the origination of the entry and subsequently reported to the Finance Committee.
1. The President & CEO will review and approve non-recurring adjusting entries generated by any other Officer, Director, Staff Person or Bookkeeping Service.
 2. The Board Chairman will review and approve non-recurring adjusting entries generated by the President & CEO.

IV. LEASES

- A. It is the policy of the LCRCC to record leases as either capital leases or operating leases in the financial records, based on appropriate qualification criteria. A cost-benefit analysis will be prepared to assist in determining whether to lease or purchase a piece of equipment. All capital purchases are to be included in the Capital Budget and are approved by the Board of Directors.
- B. When an equipment lease is capitalized, the equipment will be included among the fixed assets of the LCRCC and depreciated accordingly. Payments for operating leases are considered expenses in the period the lease payment is made.

V. AMORTIZATION

- A. It is the policy of the LCRCC to amortize all maintenance and support agreements over the

length of the contract.

VI. PREPAID EXPENSES

- A. It is the policy of the LCRCC to treat payment of expenses that have a time-sensitive future benefit as prepaid expenses on the financial records and to expense them in the proper period. Examples of prepaid expenses include, but are not limited to, insurance premiums, room and catering deposits for future events and travel expenses for future events.

VII. ACCRUED EXPENSES

- A. Expenses that have been incurred, but not yet paid, should be recognized on the financial statements. The relative materiality of the expenses that have been incurred must be addressed, because distribution of the financial statements should not be delayed in the interest of accruing immaterial expenses. The dollar limit of these expenses will be determined by the President & CEO.
- B. It is the policy of the LCRCC to accrue unpaid expenses on its financial records.

VIII. LONG-TERM DEBT

- A. All long-term commitments will be included in the annual budget and approved by the Board of Directors.
- B. It is the policy of the LCRCC to include the current portion of long-term debt (the amount due to be paid within 12 months) on the financial statements. Only the non-current portion of long-term debts will be included in the long-term debt section of the financial records.

IX. DEPRECIATION/CAPITALIZATION CUTOFF POINT

- A. It is the policy of the LCRCC to depreciate fixed assets over their estimated useful lives.
- B. It is the policy of the LCRCC to capitalize assets in the period purchased if these assets cost more than \$2,500.00 or more individually.
- C. Capitalized repairs and improvements will be depreciated using the straight-line method based on an analysis of the time the repair or improvement is expected to improve the property.
- D. The President & CEO and Finance Committee will be responsible for determining the life of an asset and will refer to the IRS guidelines for basis of that determination.
- E. Fully depreciated fixed assets will remain on the LCRCC Statement of Financial Position and will be included on the tangible property tax return until disposed of or otherwise deemed worthless.

X. FINANCIAL STATEMENT PRESENTATION AND DISTRIBUTION

- A. It is the policy of the LCRCC to prepare or have prepared by the 15th business day of the

following month financial statement reports that will include:

1. Statement of Financial Position (Balance Sheet)
 2. Prior Months Revenue & Expense Statement (Profit and Loss or Income and Expense)
 3. Year To Date Revenue & Expense Statement (Profit and Loss or Income and Expense)
 4. Bank reconciliation/uncleared items report
 5. Individual Chamber function activity reports shall be prepared and presented as soon as possible following events after all income and expenses are recorded to evaluate their financial value to the organization
 6. Membership Income reports and Renewal and Open Invoice Reports
 7. Other financial reports relevant to LCRCC operations shall be provided.
 8. Annually the Board will approve the Fixed Asset Report.
 9. At least annually the Board will approve the Payroll Report
- B. The President and CEO is responsible for initially reviewing all data to ensure accuracy and coordinating with any bookkeeping services regarding changes. Any material changes shall be reported to the Finance Committee with the related reports.
- C. The President and CEO or his designated Staff person shall balance the Financial Membership Income reports with the Membership Renewal and Open Invoice Reports Monthly and report any noted discrepancies to the Board.
- D. The financial report statements will be distributed monthly as determined by the President & CEO. The statements will appear on all agendas of the Finance Committee, Executive Committee and Board of Directors.
- E. The Finance Committee, Executive Committee and Board of Directors may receive an electronic version of the statements each month.
- F. The Board shall approve all financial reports at the next regular Board Meeting.

XI. NET ASSETS WITHOUT DONOR RESTRICTIONS/BOARD-DESIGNATED FUNDS

- A. Net assets without donor restrictions represent the cumulative results of operations of the LCRCC. Board-designated funds are designated by the Board of Directors for a specific purpose. Net assets without donor restrictions including board-designated funds are subject to creditor action.
- B. It is the policy of the LCRCC to include board-designated funds with net assets without donor restrictions on the Statement of Financial Position. Any activity for board-designated funds will be disclosed to the Finance Committee, Executive Committee and Board of Directors.

XII. NET ASSETS WITH DONOR RESTRICTIONS

- A. Net assets with donor restrictions are funds designated by the donor to be used for a specific purpose according to the donor's wishes.
- B. It is the policy of the LCRCC to add sum all net assets with donor restrictions together for Revenue & Expense Statement presentation.

XIII. ENDOWED FUNDS

- A. Endowed funds will be included with net assets with donor restrictions on the LCRCC Revenue & Expense Statement.
- B. An endowment fund is established when a donor contributes money or property to the LCRCC and specifies what the endowment and earnings on the endowment are to be used for.
- C. It is the policy of the LCRCC to include endowment funds with net assets with donor restrictions on the Revenue & Expense Statement.

XIV. OPERATING RESERVES

- A. The LCRCC recognizes the importance of maintaining a minimum level of cash reserves in order to continue to operate if significant revenue streams are diminished or cease to exist.
- B. Therefore, it is the policy of the LCRCC to strive to maintain cash in reserves equal to a minimum of 25% of the prior year's annual operating revenues. Annual operating revenues are those not related to revenue generating events and programs.
- C. The President and CEO with the Finance Committee will calculate the cash reserve amount following the end of each calendar year, or more frequently if needed, and recommend funding the reserve in the budget for approval by the Board.

CHAPTER 3

CASH AND INVESTMENT MANAGEMENT

I. CHECK SIGNING AUTHORITY

- A. All money paid to the Chamber shall be deposited in accounts at a Chamber member Financial institution, in amounts fully insured by the FDIC.
- B. Proper segregation of duties is a must to ensure adequate internal controls for check preparation. Individuals who prepare checks should never be the check signers.
- C. It is the policy of the LCRCC to give check-signing authority to the following positions:
 - 1. President & CEO
 - 2. Board Designated 2nd Staff Person
 - 3. Board Chair
 - 4. Board Vice Chair
 - 5. Board Secretary
 - 6. Board Treasurer

II. BANK RECONCILIATIONS

- A. Monthly bank reconciliations will be prepared by the Chamber’s bookkeeper and/or accountant before the 15th business day of the month. Bank reconciliation statements will be reviewed by the President & CEO monthly, and subsequently reported to the finance committee and/or board. Any uncleared items or discrepancies will be investigated in a timely manner. Voided checks will be documented and accounted for properly.

III. WIRE TRANSFERS & ELECTRONIC TRANSACTIONS

- A. The LCRCC uses wire transfers and electronic transactions for routine payments where repetitive instructions have been established. The President & CEO shall have security access for repetitive transactions. The President & CEO reviews and approves all transactions daily.
- B. Non-repetitive transactions initiated by the President & CEO are to be approved by the Board Chairman in writing in advance and retained as part of the transaction history.

IV. LINE OF CREDIT

- A. It is the policy of the LCRCC to maintain an open-end line of credit with a lending institution with Board Approval with an FDIC insured Chamber Member financial institution when possible.
- B. Borrowing against any line of credit requires approval of the Executive Committee and shall be reported to the Finance Committee and the Board.

V. CORPORATE CREDIT CARD

- A. It is the policy of the LCRCC to issue a physical corporate credit card when possible to employees in positions of event and program responsibility with Board approval.
- B. All expenses incurred via the corporate credit card must be in compliance with the approved reimbursement policy guidelines and substantiated as to:
 - 1. Amount
 - 2. Time and place
 - 3. Business purpose/relationship
 - 4. Attendees and affiliation
- C. Expense receipts must be attached to expense reports and submitted to the President & CEO for approval each month.
- D. All periodic statements for any credit card accounts will be reviewed and coded by the President & CEO and provided to bookkeeping services to insure proper expense coding.

CHAPTER 4

ACCOUNTS PAYABLE

I. ACCOUNTS PAYABLE

- A. Accounts payable checks shall be released at the latest acceptable time, without affecting relationships with vendors. Early payment discounts should be taken, if they result in a benefit, and recorded as a net expense.
- B. It is the policy of the LCRCC to process and send checks disbursements within the following timeframes.
 - 1. Vendors: within terms stated on the vendor invoice. The term “upon receipt” shall mean within 10 working days of receipt of the invoice by Staff.
 - 2. Staff reimbursement requests: within 10 working days of receipt of the invoice by the President & CEO.
- C. In an effort to enhance internal controls and ensure a clear segregation of duties, the following policies will be followed:
 - 1. The Board approved Bookkeeping Service will process expense vouchers and invoices and will print checks at least weekly;
 - 2. The President & CEO reviews all check processing for accuracy in coding and data entry;
 - 3. Checks will be assembled and delivered to the appropriate check signers;
 - 4. Supporting paperwork will be filed by the President & CEO;

II. CHECK DISBURSEMENTS

- A. Because of the need for strong internal controls and segregation of duties, the rules concerning check distribution should always be followed:
 - 1. All checks require two (2) signatures preventing persons approving invoices and other expense vouchers from being the only person signing checks.
 - 2. All checks will bear original signatures. The use of facsimile signatures is prohibited.
 - 3. The signing of blank checks is prohibited.
- B. It is the policy of the LCRCC to keep unused check supplies safeguarded under lock and key. A key will be maintained by the President & CEO. All unused checks must be pre-numbered. Checks shall be used in sequential order.
- C. All check disbursements for non-recurring expenses will require an approved invoice. Distributions for expense reimbursements require an approved expense voucher. Distributions for recurring expenses require an approved invoice.
- D. Signed checks that have not been mailed or distributed will be secured under lock and key.

III. DATE STAMP PURCHASE ORDERS, CHECK REQUESTS AND INVOICES

- A. It is the policy of the LCRCC to notate the date received on purchase orders, check requests and invoices.
- B. It is the policy of the LCRCC that all incoming mail, with the exception of newspapers and magazines, is notated by hand or stamp with the date received.
- C. All incoming returned mail will be received, opened and date stamped by a designated Front Office Staff person and give to the President & CEO or his designated staff person.

IV. VOIDED CHECKS

- A. Checks are voided for many reasons, such as errors made during the course of check preparation, duplicate payments made to vendors, stop payments issued on lost checks, etc. Regardless of the situation, every voided check will be accounted for on a voided checks log. The voided checks log will be available for the annual audit.
- B. It is the policy of the LCRCC to maintain a Voided Checks Log and document every check that has been voided, regardless of the reason.
- C. If voided checks are physically available, they will be stamped void and filed in the voided checks file, and the signature line will be torn off. Voided checks will be destroyed according to the LCRCC's document retention policy.

V. WRITE-OFF OLD OR STALE-DATED CHECKS

- A. It is the policy of the LCRCC to make every attempt possible to contact the payees of outstanding checks that have failed to clear the bank. Checks that have been outstanding in excess of twelve months will be handled in accordance with applicable state unclaimed property laws at least annually. A log of checks that have been turned over to the state will be completed and made available for future audits.

VI. VENDOR SELECTION

- A. It is the policy of the LCRCC to utilize vendors who are Members in good standing for services required by Chamber. When the cost of a product or service exceeds \$1,000.00, bids will be requested from existing Members in good standing who can provide such products or services. If no Member in good standing is available, bids from other vendors will be accepted.

CHAPTER 5 **ACCOUNTS RECEIVABLE**

I. CONTROL OVER CHECKS, CASH & CASH LOG

- A. All mail, with the exception of confidential mail that is addressed directly to a Staff

member, will be opened by two (2) designated Staff Persons.

- B. It is the policy of the LCRCC to prepare a daily cash log. It will provide a list of all checks and cash that have been received by the Chamber. Two (2) designated Staff Persons will prepare the cash log and forward it to the President & CEO , or their designated Staff Person, for deposit processing, and entries into membership database.
- C. The Staff member preparing the cash log will not be the Staff member who prepares the deposit.
- D. Deposits will be prepared and made so no check is held longer than five (5) business days.
- E. All deposits and general ledger reports from the Membership database will be reviewed at least monthly and approved by the President & CEO to ensure the Membership database correctly reflects payments received and deposited.

II. CHECK ENDORSEMENT STAMP

- A. It is the policy of the LCRCC to endorse all checks with a “For Deposit Only” stamp upon receipt as the daily cash log is prepared.

III. COLLECTIONS

- A. It is the policy of the LCRCC to complete orders and forward an invoice within the following timeframe:
 - 1. Events & Programs: Once the attendee requests registration
 - 2. Renewal Membership Dues: 90 days prior to the membership renewal date
 - 3. New Membership Dues: Once the company/organization requests to join the LCRCC Information center: When the materials are sent
- B. Thirty (30) days after the invoice is due, a past due invoice will be mailed electronically to the individual addressed on the invoice.
- C. Sixty (60) days after the invoice is due, a LCRCC Staff member will contact the individual addressed on the invoice and attempt to collect the amount due.
- D. Unpaid dues notification will be generated and distributed electronically or by mail on a monthly basis.
- E. If one hundred and twenty (120) days elapse, the invoice will be considered uncollectible and will be written off. If the business wishes to renew their membership after the dues invoice is written off, a new invoice will be generated.

IV. ALLOWANCE FOR DOUBTFUL ACCOUNTS

- A. It is the policy of the LCRCC to maintain an allowance for doubtful accounts balances based on factors surrounding the credit risk of specific accounts, historical trends and other pertinent information. The President & CEO is responsible for preparing the allowance calculation and reporting it on the monthly financial statements.

V. ACCOUNTS RECEIVABLE WRITE-OFF PROCEDURES AND AUTHORITY

- A. It is the policy of the LCRCC to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated.
- B. If a receivable is deemed uncollectible, the write-off must be approved by the President & CEO for the revenue line item that will be affected and reported to the Board.
- C. If write-off procedures have been initiated, the following accounting treatment applies:
 - 1. Invoices for membership dues will be treated as a reduction in revenue.
 - 2. Invoices for event and programs will be treated as a reduction in deferred revenue.
- D. The President & CEO will be responsible for reviewing write-offs and reporting any issues to the Board.

VI. NON-SUFFICIENT FUNDS CHECKS

- A. It is the policy of the LCRCC to include checks returned by the bank due to non-sufficient funds in the returned checks account in the accounting records.
- B. If the checks in question are eligible for redeposit, the subsequent deposit will reduce the returned checks account accordingly. If the checks are prohibited from redeposit, the President/CEO will initiate collections.

VII. TRADES

- A. It is the policy of the LCRCC to include trades for memberships and programs/events in the accounting and membership database.
- B. Members may “pay” their annual membership dues or event sponsorships by trading products and/or services. All trades must be approved and documented with a written trade letters signed in advance by the Member and the President & CEO. New and renewed trades will be reported to the Board at the next Board meeting.
- C. In order for the LCRCC to have a positive financial benefit from the trade agreement, the amount of products and or services received by the LCRCC from a member must be equal to or more than the membership or sponsorship value. Trades will be recorded in the member’s record in the membership database for historical tracking and reviewed on an annual basis.

VIII. CREDIT CARD PROCESSING

- A. Credit card payments received from members or others for payment will be processed using a verified service or portable credit card-system, balanced and reported promptly to the bookkeeping service provider with appropriate records so the income revenue is accurately recorded and transactions will be batched daily After being processed, no credit card data will be stored in any manner to comply with the existing Payment Card Industry Data Security Standard (PCI DSS).

CHAPTER 6
REIMBURSEMENT POLICIES

I. STAFF

- A. The President & CEO must approve, in advance, all travel arrangements by Staff. Employees are encouraged to be frugal when traveling on LCRCC business. This includes booking flights for early discounts, carpooling when appropriate and other cost-saving measures. While the range of expenditure will understandably vary with geographic locations, choices for lodging, meals and other expenses should be reasonable and not extravagant.
- B. Employees traveling on LCRCC business will be reimbursed for the cost of transportation, meals, lodging and incidental expenses. Employees will submit requests for reimbursement of expenditures for LCRCC business on an Expense Report Form. Employees must attach all supporting documentation and receipts. All receipts must be original and include an itemized listing of charges. No photocopies or credit card statements will be accepted. Expenses not properly documented will not be reimbursed.
- C. All reimbursement requests are to be reviewed and approved by the employee's direct supervisor and forwarded to the President & CEO.
1. Automobile Travel: If an employee uses his/her own automobile on LCRCC business, the employee will be reimbursed at the IRS mileage rate in effect, based upon actual mileage traveled.
 2. Air Travel: If traveling by air, an employee will be reimbursed for the cost of the ticket and applicable fees and taxes. Wherever possible, employees should plan in advance for trips involving air travel in order to benefit from the lowest reasonable fare. First class airfare is prohibited.
 3. Dry cleaning and in-room movies will not be reimbursed.

II. PRESIDENT & CEO

- A. The President & CEO will be reimbursed for actual travel and entertainment expenses in connection with LCRCC business in the same fashion as LCRCC Staff.
- B. The President & CEO shall submit requests for reimbursement of expenditures for LCRCC business on an Expense Report Form. The President & CEO must attach all supporting documentation and receipts. All receipts must be original and include an itemized listing of charges. No photocopies or credit card statements will be accepted. Expenses not properly documented will not be reimbursed.
- C. All reimbursement requests made by the President & CEO will be forwarded to the Board Chair for approval each month and returned to the President & CEO to be processed.

CHAPTER 7
TAXES & IRS FORMS

I. TAX PREPARATION AND FILING

- A. A tax professional selected by the Board of Directors shall prepare all applicable tax returns, which are first reviewed by the President & CEO, Executive Committee and Finance Committee. The tax returns are signed by the President & CEO and filed with the IRS by the President & CEO.
- B. After filing the tax returns and any accompanying cover letters they shall be sent to the Board of Directors in an electronic format.

II. PUBLIC EXAMINATION OF RECORDS

- A. Certain records of not-for-profit organizations are subject to public examination.
- B. It is the policy of the LCRCC to comply with the public disclosure requirements of section 6104(d) of the Internal Revenue Code (Code) as amended by the Tax and Trade Relief Act of 1998.
- C. Disclosure requirements include the application for tax exemption and the most recent three years of Form 990. The LCRCC will honor all in person and written requests in compliance with the Code.

III. IRS FORM 1099

- A. IRS regulations require organizations to complete Form 1099 for individuals who are not employees and who received \$600 or more from the LCRCC in a calendar year.
- B. It is the policy of the LCRCC to complete IRS Form 1099 for all individuals and vendors providing services (other than corporations) and receiving \$600 or more from the LCRCC.
- C. A record of vendor Federal Identification Numbers and independent contractor Social Security Numbers should be maintained for audit purposes. The IRS Form W-9 will be collected prior to issuing any payment for services provided.

IV. IRS FORM 990

- A. It is the policy of the LCRCC to allow public access to IRS Form 990 in accordance with section 6104(d) of the Internal Revenue Service.
- B. The LCRCC will make available for inspection, on the day requested, its three most recent IRS Form 990 to any member of the public who requests the information in person at the LCRCC office. Copies will be provided free of charge.
- C. The LCRCC will provide its three most recent IRS Form 990 tax returns to any member of the public for requests made in writing, whether by mail, electronic mail, fax or delivery service. The LCRCC will provide copies of the requested documents, free of charge, within

30 days from the date it receives the requests.

- D. The original Form 990 will remain in the LCRCC office without exception and published on the LCRCC website.

V. IRS FORMS 990T/UNRELATED BUSINESS INCOME TAX (UBIT)

- A. It is the policy of the LCRCC to pay UBIT on the excess of revenues over expense on taxable activities.
- B. The LCRCC will file IRS Form 990-T to report unrelated activities. IRS Form 990-T are considered confidential and are, therefore, not available for public inspection.

VI. GALVESTON COUNTY

- A. It is the policy of the LCRCC to file any required annual Tangible Personal Property Tax Report with Galveston County.

VII. SALES TAX COLLECTION

- A. It is the policy of the LCRCC to collect sales tax, or accrue use tax as applicable, and pay the retailing business and occupation tax and related city tax on all sales of tangible personal property.

CHAPTER 8 **BUDGETING**

I. BUDGETING CALENDAR

July - August

- The Finance Committee will begin the annual budgeting process.

September – November

- The Finance Committee will prepare budget projections to be reviewed by the Executive Committee and full Board monthly.

November-December

- The final proposed budget will be approved by the Finance Committee the Executive Committee and lastly by the Board of Directors prior to December 15th annually.

II. CAPITALIZATION

- A. Capitalization is the accounting method used to account for items with useful lives greater than one year. The cost of the item is recognized as an asset and subsequently expensed on a periodic basis over its estimated useful life.
- B. Acquisitions made by the organization should be capitalized if the individual or aggregated expenditure is over \$2,500.00 and any one of the following criteria is present.

1. Additions that materially improve quantity and life of fixed assets (additional memory is added to a computer, etc.)
 2. Improvements that materially improve quality or efficiency of the fixed asset (enhancement of software, etc.)
 3. Extraordinary repairs (if fixed asset life is extended). Routine repairs and maintenance are to be expensed.
- C. The cost of a fixed asset should include all costs necessary to put a fixed asset in place and in working order. This includes:
1. Invoice price, less discounts
 2. Sales tax
 3. Freight-in
 4. Significant consulting services
 5. Installation charges (including testing, labor and preparation for use)
- D. These items shall be included in an Annual Fixed Asset Report.

III. UNBUDGETED OR OVER BUDGETED EXPENSES

- A. Occasionally, expenses will arise during the normal course of business that were not budgeted for in the approved annual budget or are over the amount that was included in the approved annual budget. Prior planning can help eliminate or minimize these occurrences.
- B. Unbudgeted expenses are expenses that were not included in the approved budget. An expense can only be classified as “unbudgeted” if it does not have any accompanying revenues to offset the expense.
- C. Over budgeted expenses are those that exceed the amount in the approved budget.
- D. It is the policy of the LCRCC to authorize the President & CEO to approve up to \$1,000.00 in unbudgeted and/or over budgeted expenses. Disclosure of the approval will be made to the Finance Committee, Executive Committee and Board of Directors.
- E. It is the policy of the LCRCC to require approval of the Finance Committee for any unbudgeted or over budgeted expenses from \$1,000.01 - \$2,500.00. Disclosure of the approval will be made to the Executive Committee and Board of Directors.
- F. It is the policy of the LCRCC to require approval of the Board for any unbudgeted or over budgeted expenses that exceed \$2,500.01.
- G. All unbudgeted and over budgeted expenses that require approval must be done so prior to the expenditure being made.
- H. It is understood that a time may arise when a conference call meeting is convened to approve unbudgeted or over budgeted expenses should immediate action be required between meetings of the Board.

IV. CONTRACT SIGNING AUTHORITY

- A. It is the policy of the LCRCC to grant authority to sign contracts to the President & CEO, or

the Board Chair in the absence of the President & CEO, as long as the financial implications of the contract are provided for in the approved annual budget.

- B. If the financial implications of a contract are not included in the approved annual budget, the following approval limitations will be in place:
 - 1. The President & CEO is authorized to sign and execute a contract where the financial obligations do not exceed \$1,000.00.
 - 2. The President & CEO is authorized to sign and execute a contract where the financial obligations exceed \$1,000.01 only with prior approval of the Board.
- C. In the instance where a contract requires a multi-year commitment, approval requirements will be determined by the value of the entire life of the contract. After the value of the multi-year contract is determined, the above-listed approval requirements will be in place. If any multi-year contract includes a clause that allows for termination of the contract without cause, the approval requirements will be based on the costs associated with one year of the contract.
- D. All required approvals pertaining to contracts must be obtained prior to the President & CEO signing and executing the contract.

CHAPTER 9

SARBANES-OXLEY NOT-FOR-PROFIT BEST PRACTICES

The American Competitiveness and Corporate Accountability Act of 2002, commonly known as the Sarbanes-Oxley Act, was signed into law on July 30, 2002. While only two provisions of SOX apply to not-for-profit organizations, Section 802 – Document Retention and Destruction and Section 1107 – Whistle-blower Protection, the LCRCC chooses to voluntarily adopt several of the recommended provisions as outlined in this chapter or in other sections of these Financial Policies and Procedures.

I. WHISTLE-BLOWER PROTECTION

- A. Not-for-profit organizations must develop, adopt and disclose a formal process to deal with complaints and prevent retaliation.
- B. The LCRCC Whistle-blower Protection Policy can be found in the Employee Handbook.

II. AUDITED FINANCIAL STATEMENTS

- A. Audited financial statements will be prepared as outlined in other sections of these Financial Policies and Procedures.

III. MEMBER AND EMPLOYEE LOANS PROHIBITED

- A. It is the policy of the LCRCC to prohibit loans and advances to employees and members under all circumstances.

IV. VISION/CORE VALUES

- A. The League City Regional Chamber of Commerce envisions an engaged and inclusive community driven by business prosperity.
- B. The LCRCC has established Core Values that set an expectation to volunteer leadership, members and Staff of how the organization will conduct business

CHAPTER 10 **OTHER POLICIES**

I. INSURANCE

- A. It is the policy of the LCRCC to annually review insurance policies to ensure that insurance coverage is complete and adequate, and that coverage limits adequately meet the needs of the LCRCC, its members and employees. Insurance policies to be reviewed include, but are not limited to, the following:
 - 1. All liability policies (D&O)
 - 2. General commercial liability policy
 - 3. Liquor Liability Policy
 - 4. Office contents policy
 - 5. Commercial flood policy
 - 6. Worker's compensation policy
 - 7. Computer fraud and fund transfer policy
 - 8. Event cancellation policies (where necessary)

II. SAFE DEPOSIT BOX

- A. It is the policy of the LCRCC to utilize a safe deposit box from the bank to store valuables and important documents, as determined by the Board.
- B. Access to any safe deposit box will be limited to the President & CEO, Board Chairman and Board Secretary. The safe deposit box will be periodically inventoried, and a log will be maintained.

III. PAY TRANSPARENCY

- A. The Chamber will not discharge or in any other manner discriminate against employees or applicants because they have inquired about, discussed, or disclosed their own pay or the pay of another employee or applicant.
- B. However, employees who have access to the compensation information of other employees or applicants as part of their essential job functions cannot disclose the pay of other employees or applicants to individuals who do not otherwise have access to compensation information, unless

the disclosure is (a) in response to a formal complaint or charge, (b) in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or (c) consistent with the Chamber's legal duty to furnish information.

IV. AUTO ALLOWANCE

- A. It is the policy of the LCRCC to deny mileage reimbursement to employees receiving an auto allowance.

V. PAYROLL PROCESSING AND REPORTING

- A. The LCRCC processes payroll using a third-party vendor. It is the policy of the LCRCC that the President & CEO will be involved in payroll processing and approval.
- B. A Payroll Report shall be reported to the Board at least annually for the respective period since the prior Board report.

VI. DATA SECURITY, STORAGE, ACCESS & BACKUP

- A. It is the policy of the LCRCC that electronic financial and membership data will be maintained and stored in a secure manner with limited access to all electronic systems and equipment with access approved and monitored by the President & CEO.

CHAPTER 11

DOCUMENT RETENTION & DESTRUCTION

I. RETENTION AND DESTRUCTION

- A. It is the policy of the LCRCC to retain records for the period of their immediate or current use, unless longer retention is necessary for historical reference or to comply with contractual or legal requirements. Records covered by this policy include paper, electronic files (including emails) and voice mail 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.
- B. Any employee of the LCRCC, or any other person who is in possession of records belonging to the LCRCC who is uncertain as to what records to retain or destroy, when to do so, or how to destroy them, may seek assistance from the President & CEO.
- C. All records created and received in transacting LCRCC business are the property of the LCRCC. Records containing confidential information will be used, disclosed, maintained and disposed of in accordance with the LCRCC's Confidentiality Policy and applicable Texas and Federal law.
- D. In accordance with law, the LCRCC 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 any Committee, agency of the United States or any state or local government with jurisdiction over the LCRCC. If an official investigation is under way or suspected, document destruction must cease to eliminate accidental or innocent destruction.

- E. All business records should be kept no longer than the period necessary for the proper conduct of business. This policy shall cover all business records of the LCRCC, including written, printed and recorded matter and electronic forms of records, including e-mail messages in personal folders. Employees should review their electronic files regularly and delete them when appropriate to ensure compliance with this policy. These guidelines should be reviewed annually to ensure consistency with legal requirements of other regulatory bodies.
- F. If a lawsuit, governmental investigation or subpoena is filed, served or appears imminent, this policy may be suspended requiring that documents relating to the lawsuit or potential legal issue(s) or audits be retained. Once an employee receives notification that the policy has been suspended, he/she must retain all of the documents they are instructed to keep rather than destroying them pursuant to the policy.
- G. To facilitate efficient and effective operations, it is the policy of the LCRCC to retain records as required by law and to destroy them when appropriate. As a condition of employment, all employees are required to follow the records retention and destruction guidelines found on the following pages.

TYPE OF RECORD	SPECIFIC RECORD	RETENTION PERIOD
Organizational Records	Articles of Incorporation	Keep original indefinitely in the office
	Bylaws	Keep original indefinitely in the office
	Policy Statements	Keep indefinitely
	Board of Directors/Committee Meeting Minutes	Keep original indefinitely in the office
	Manuals/Standards	Keep indefinitely
Legal/Tax Records	Internal Revenue Service Letter of Determination (1 st and final)	Keep originals indefinitely in office
	Forms 990 and other tax records	Keep originals seven years in office

		* Copies <u>must</u> be made available immediately to anyone who requests these documents in person. Copies <u>must</u> be mailed to anyone who makes written request. An invoice for charges for postage and copying at a reasonable rate per page will be sent with copies mailed.
	Contracts/Service Agreements/Insurance Policies	Keep originals during contract term plus five years
	Litigation Claims/Court Documents & Records/Deposition Transcripts/Discovery Materials	Keep five years following close of case
TYPE OF RECORD	SPECIFIC RECORD	RETENTION PERIOD
Legal/Tax Records (cont.)	Trademark Registration/ Copyright Registration/Patents	Keep indefinitely
Financial Records	Bank Statements	Keep seven years
	Accounts Payable Ledgers/Paid Invoices/Journal Entries Voided Checks	Keep seven years
	Membership Partner Monthly Reports	Keep seven years
	Audit Reports/990s	Keep indefinitely
	Year End Financial Statements	Keep indefinitely
	Chart of Accounts	Keep indefinitely

Payroll Records	Form 941 (Payroll Tax Returns)	Keep seven years
	Form W-2, W-3	Keep indefinitely
	Payroll Registers/Salary Adjustments/Time Sheets	Keep seven years
	State Unemployment Tax Records	Keep indefinitely
	Computer Accounting Records	Daily Backup to the Cloud
Personnel Records	Employee Resumes & Employment History	Keep five years following termination of employment
	Employee Performance Evaluations	Keep five years following termination of employment
	Employment & Termination Agreements	Keep indefinitely
TYPE OF RECORD	SPECIFIC RECORD	RETENTION PERIOD
Personnel Records (con't.)	Promotions, Raises, Reclassifications & Job Descriptions	Keep five years following termination of employment
	Disciplinary Warnings, Demotion, Lay-off & Discharges	Keep five years following termination of employment
	Beneficiary Information	Keep indefinitely
	Personnel Files (terminated employees)	Keep seven years
	Retirement/Pension Plans	Keep indefinitely
Event/Program Records	Event Budget, Planning Documents/Files	Keep five years
Member Records	Computer Member Files	Daily backup to the Cloud

Correspondence	Correspondence with Board of Directors	Keep seven years
	General Correspondence	Keep seven years
Publications	In the Chambers name	Keep one copy indefinitely; keep current plus four years (samples only) in office
	Electronic Newsletters	Keep one electronic copy indefinitely
	Brochures/ Informational Materials	Keep active in office, then discard except for sample; keep inactive samples indefinitely

Source: This policy was compiled using resources of the National Council of Nonprofit Associations (NCNA) and the American Society of Association Executives (ASAE)

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