

TWIN LAKES OF MATTESON, INC.

Financial Policies and Procedures Manual

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Introduction

The purpose of this manual is to set policies and procedures that are consistent with the mission of the Twin Lakes of Matteson, Inc. (the "Association"). Also, the purpose of this manual is to set sound financial guidelines that promote prudent fiscal management; and to abide by Generally Accepted Accounting Principles (GAAP) and the legal requirement governing nonprofit organizations.

Manual Protocol

The Twin Lakes of Matteson, Inc. Executive Board will review the financial practices annually, and will make revisions as necessary.

Accounting Guidelines and Internal Controls

To ensure that record keeping is in accordance with Generally Accepted Accounting Principles (GAAP) and appropriate internal controls are maintained, the following procedures will be followed:

- 1) Standard accounting procedures, in accordance with GAAP, will be utilized for all financial functions.
- 2) Accounting will be done on a cash basis.
- 3) The Chart of Accounts will be utilized, reviewed annually and updated as required.
- 4) The Treasurer will maintain financial records in accordance with the record retention policy or as determined by Federal, State or local law.
- 5) All Accounts Payable records will be stored by the fiscal year (calendar year)
- 6) All Accounts Receivable records will be stored by the fiscal year (calendar year).

Biannual Audit

It is the policy of the Association to arrange for a biannual audit of the Association's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by the Association will be required to communicate directly with the Association's Treasurer upon the completion of their audit. The initial audit is to be completed within 24 months of the ratification of the updated Association Bi-Laws incorporating this Financial Policies and Procedures Manual.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Executive Board as defined in the Association Bi-Laws by the independent accounting firm, after the financial statements have been reviewed and approved by the Treasurer.

Biannual audits will be done to ensure accuracy in accounting functions and to facilitate positive audit results.

- 1) A designee appointed by the Association President will conduct the internal audits of accounts receivable, payroll, and accounts payables annually.
- 2) The designee conducting the audit will prepare an audit report and submit the report to the President of the Association for review.
- 3) The President of the Association will retain the records regarding the results of all internal audits and report inconsistencies or problems to the Executive Board as appropriate.

Interim Procedures - To facilitate the timely completion of the biannual audit, the independent auditors may perform selected audit procedures prior to the Association's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. The Executive Board will assist as much as possible in order to provide requested schedules and documents during any interim audit work that is performed.

Throughout the audit process, it shall be the policy of the Association to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Annual Budget

The annual budget process requires planning and a budget should be designed and prepared to direct the most efficient and prudent use of the organization's financial and human resources. Guidelines need to be in place so that the budgeting process runs smoothly. The following guidelines represent basic budgeting steps:

- 1) The Treasurer will present an annual budget to the Executive Board one month before the end of the current fiscal year for review and approval.
- 2) The budget will be developed based on historical as well as projected costs for each program. Everyone will provide input into budget development.
- 3) In the event that the Association desires to add or expand programs, a budget amendment may be proposed. The Treasurer will make recommendations to the Executive Board, which must approve all additional programs or program expansions.

Financial Statements

Standard Financial Statements

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for

providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of the Association shall include:

- 1) **Statement of Financial Position (Balance Sheet)** - reflects assets, liabilities and net assets of the organization and classifies assets and liabilities as current or noncurrent/long-term.

Statement of Activities (Cash Flow Statement) – presents support, revenue, expenses, and other changes in net assets of the organization.

Frequency of Preparation

The Treasurer will prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

A standard set of financial statements described in the preceding section shall be produced prior to each Association meeting. The statements will be prepared on a cash basis. All financial statements and supporting schedules shall be reviewed and approved by the Executive Board.

After approval by the Association Treasurer, a complete set of financial statements shall be prepared and distributed as follows:

- 1) Association members attending membership meeting
- 2) Executive Board

Insurance Coverage

Insurance coverages will be reviewed annually by the Association Treasurer to ensure that the Association maintains adequate liability insurance.

Record Retention and Security

It is the policy of Association to retain records as required by law. The formal records retention policy is as follows:

- | | |
|---|-------------|
| ▪ Accounts payable ledgers and schedules | 7 Years |
| ▪ Accounts receivable ledgers and schedules | 7 Years |
| ▪ Audit reports | Permanently |
| ▪ Bank reconciliations | 2 Years |
| ▪ Bank Statements | 3 Years |

▪ Chart of Accounts	Permanently
▪ Cancelled Checks	7 Years
▪ General (Customers, Vendors, etc.)	2 Years
▪ Legal and important matters only	Permanently
▪ Financial statements: Year End	Permanently
▪ General ledgers	Permanently
▪ Insurance policies (expired)	3 Years
▪ Insurance records (policies, claims, etc.)	Permanently
▪ Tax returns and worksheets, examination reports and other documents relating to IRS determination	Permanently

Cash Receipts and Revenue Processing

Processing of Checks and Cash Received in the Mail

For funds that are received directly, cash receipts are centralized to ensure that the cash received is appropriately directed, recorded and deposited on a timely basis. Mail is opened and a listing of cash/checks received shall be prepared by the Treasurer for all contributions. Deposits are prepared and taken to the bank by the Treasurer, who then enters the cash receipts into accounting records.

Endorsement of Checks

It is the policy of the Association that all checks received that are payable to the Twin Lakes of Matteson, Inc. shall immediately be restrictively endorsed. The restrictive endorsement shall be a rubber stamp that includes the following information:

- 1) For Deposit Only
- 2) Twin Lakes of Matteson, Inc.
- 3) The bank name
- 4) The bank account number of the Association

Timeliness of Bank Deposits

It is the policy of the Association that bank deposits will be made once per week, unless the total amount received for deposit is more than \$5,000. In no event shall deposits be made less frequently than weekly.

Bank Reconciliation

The Treasurer reviews the bank statements and reconciliation statement each month to ensure that there are no discrepancies.

Credit Card Processing

The Association uses PayPal to process membership dues and donations that are submitted electronically.

Accounts Payable

The Association processes the following three types of disbursements:

- 1) Repetitive (e.g. utilities)
- 2) Purchase orders
- 3) Check requests

Use of Purchase Orders

It is the policy of the Association to utilize a purchase order system. A properly completed purchase order shall be required for each purchase decision (i.e. total amount of goods and services purchased, not unit cost). A properly completed Purchase Order shall contain the following information, at a minimum:

- 1) Specifications or statement of services required
- 2) Vendor name, address, point of contact and phone number
- 3) Source of funding (if applicable)
- 4) Delivery or performance schedules
- 5) Delivery, packing and transportation requirements
- 6) Special conditions (if applicable)
- 7) Catalog number, page number, etc. (if applicable)
- 8) Net price per unit, less discount, if any
- 9) Total amount of order
- 10) Authorized signature

11) Date PO prepared

Purchase orders shall be pre-numbered, kept in a secure area in the accounting department, and issued upon request from an authorized purchaser. All purchase orders shall be recorded in a purchase order log.

Net Asset Classifications

All income received by the Twin Lakes of Matteson, Inc. is classified as "unrestricted", with the exception of the following:

- 1) Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted
- 2) Special endowments received from donors requesting that these funds be restricted for specific purposes

From time to time, the Association may raise other forms of contribution income which carry stipulations that the Association utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, the Association shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), the grant or contribution balance are reduced to zero as assets are released from restriction.

Board Conflict of Interest Policy

Objective

Effective non-profit governance depends on deliberate, thoughtful, and fair decision making by Board members. The ability to make good decisions is sometimes affected by other interests - personal or professional - of individual Board and committee members. One cannot eliminate conflicts of interest - they are a regular part of organizational and personal life. The objective of this policy is to permit the Association to manage potential conflicts of interest successfully, when they do occur, regarding Board and committee members.

Definition

A conflict of interest arises when a person able to influence a decision, whether by official vote or moral and/or intellectual persuasion, is liable to gain some personal advantage from the outcome of the decision in which they are involved, and/or some advantage for an organization

with which the individual is directly involved. A conflict of interest also arises when as individual Board or committee members outside duties, interests or obligations may or do differ fundamentally from his/her obligations as a member of the Board, a committee or working group of the Twin Lakes of Matteson, Inc.

Assumptions

- 1) No Board or committee member shall use his or her position, or the knowledge gained there from, in such a manner that a conflict between the interest of the Association or any of its affiliates and his or her interests arises but is not disclosed.
- 2) When functioning as a Board or committee member, each person has a duty to place the interest of the Association foremost in any dealings with the Association and has a continuing responsibility to comply with the requirements of this policy.
- 3) Board and committee members are not eligible for employment or service contracts with the Association or its affiliates during their tenure. If a Board or committee member wishes to apply for a service contract with the Association, he/she must immediately withdraw from active participation on the Board or committee. If the Board or committee member is the successful candidate, he/she must resign from the Board or committee upon accepting the contract.
- 4) Any Board or committee member who becomes aware of a potential conflict of interest with respect to any matter coming before the Board, committee, or working group shall make this potential conflict known immediately in any discussion relating to the matter.
- 5) Decisions taken by the Board, committees or working groups, regarding the management of a conflict of interest, must not only be fair, but they must also be seen to be fair.

Common Sense Provision

The application of any part of this policy shall rely heavily on the common sense of the group. Conflict of interest circumstances vary and the judgment and flexibility of the Board, committee, or working group must be preserved.

Code of Conduct

The recent state of business scandals has focused attention on the importance of well-developed and communicated code of conduct in promoting a culture of honesty and ethical behavior and deterring unethical business activity.

Our Association is committed to the highest possible ethical standards, and we encourage everyone associated with our Association to commit to acting in the best interest of the organization and its mission.

Our mission demands that we, Board members, committee members, general members, and volunteers, as stewards of our mission, uphold the public trust and act in an ethical manner in all that we do in the name of our Association. These ethical values include integrity, openness, honesty, accountability, fairness, respect and responsibility. These values are the basis of our Code of Conduct and commitment to act in a manner befitting the Association and mission.

As a non-profit organization, we rely on the public for funding and volunteer support, which is critical to the success of our mission. The public trusts us to carry out our stated mission and to act in the best interest of the Association. If we abuse public trust, our ability to fulfill our mission is severely weakened. Therefore, it is critical that we operate in a manner that is above reproach in all aspects, including governance, fundraising, mission operations, legal matters and human resources.

This Code of Conduct applies to all Board members, committee members, general members, and volunteers.