



## **FINANCIAL POLICY**

### **Section 1. Fiscal Year**

The fiscal year of the Florida Apartment Association shall be January 1<sup>st</sup> to December 31<sup>st</sup> of each year.

### **Section 2. Accounting System**

The accounting system used by the Association will have a chart of accounts, cash receipts and cash disbursements journal and a general ledger.

### **Section 3. Financial Statement**

The financial statement of the Association will include a balance sheet, statement of income and expense, and statement of net assets. Financial statements will be prepared using modified accrual accounting. Supplemental financial statements will include a comparison of income and expense for all income producing events and activities such as the education conference, legislative conference and lease program.

### **Section 4. Disbursement of Financial Statements**

A complete set of financial statements will be shared with the Treasurer no less than every other month. The most current balance sheet and updated profit and loss comparison statements shall be sent to the Board of Directors at least one week prior to each board meeting.

### **Section 5. Investment Policy**

Permissible investments for the Association include savings accounts, money market accounts, and certificates of deposits that are secured by the United States government. These investments will be limited to the insured amount in any one institution, plus accrued interest, or in obligations of the U.S. Treasury, or any agency of the U.S. government. In addition, the association may invest in short- to intermediate-term fixed income securities (not to fall below a quality rating of BAA). The Executive Vice President shall, in consultation with the Treasurer, have the authority to select investments, which meet the terms of this policy.

### **Section 6. Internal Controls**

A system of internal controls will be put into place to safeguard the Association's assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial philosophy. The system will provide appropriate segregation of functional responsibilities and it will provide a system of authorization and record procedures to provide reasonable accounting control over assets, liabilities, revenue and expense.

Internal controls will include, but not be limited to the following:

1. Balance sheet accounts will be reconciled monthly by the bookkeeper.
2. An annual review of the insurance needs will be made by the Executive Vice President to be approved by the Executive Committee.
3. All journal entries will be approved by the Executive Vice President.
4. Bank accounts will be reconciled by a person who does not sign checks, or handle or record cash.
5. All Mail will be opened and sorted by a person who does not reconcile accounts, make deposits or process payments for purchases.
6. Cash receipts will be deposited at least weekly. Checks will be immediately restrictively endorsed.
7. All payments shall be supported by a voucher, which shows that the voucher has been paid.
8. Securities (investment instruments) will be properly safeguarded. Whenever possible, the financial institution from which the instrument is purchased should be asked to keep the instrument in safekeeping and issue a receipt for the document. Otherwise, the investment document should be kept in a safe deposit box.
9. Accounts receivable procedures will include sending out reminder notices after 30 days; followed by a 72-hour notification letter after 60 days, and then a final demand letter at the close of the 72-hour window.
10. All disbursements will be made by pre-numbered checks
11. Blank checks will not be signed.
12. All voided checks will be retained and accounted for.
13. The Executive Vice President and /Treasurer are authorized as signature on all checks. Any expenditure, which exceeds the budget by \$5,000 or more than 20% of its allocated budget (whichever is greater), will require approval by the Executive Committee.
14. The Executive Vice President and /Treasurer will have sole access to notes and investment certificates.
15. All purchases will be approved by the Executive Vice President.
16. All credit card statements will be reconciled and paid monthly.

## Section 7. Annual Audits

A certified public accountant shall be retained to perform an annual audit of the Association's financial records in even-numbered years. A financial review will be conducted in odd-numbered years. Reports of these audits/reviews will be furnished to the Board of Directors.

## Section 8. Record Keeping

Record keeping procedures and retention policies shall be in accordance with IRS Guidelines.

## Section 9. Annual Budget

The Executive Vice President, in consultation with the Budget & Finance Committee, will prepare an annual operational budget. The Committee shall submit an annual budget for approval by the Board of Directors by no later than 20 days prior to the start of the following fiscal year

## Section 10. Operating Reserve Restricted Fund

The Board of Directors shall establish a reserve fund for the purpose of providing monies for operational expenses in the event regular income declines to a level that impairs the ability of the Association to carry on its normal activities.

The balance in the Restricted Reserve Fund shall be equal to the previous year's critical operations expenses. Critical expenses are headquarters expenses, legislative expenses and general and administrative expenses, based on the previous fiscal year-end actual amounts. Each year, prior to the first Board of Directors meeting, the Budget & Finance Committee will review the Reserve Fund balance and recommend to the Board of Directors the transfer of necessary funds from the Unrestricted Fund Balance to the Reserve Fund Balance .

Expenditures from this fund shall require a majority vote of the Board of Directors.

## Section 11. Industry Mobilization Reserve

The Board of Directors shall establish an Industry Mobilization Reserve for the purpose of providing monies for industry mobilization in the event of unforeseen, unbudgeted issues.

Each year, prior to the first Board of Directors meeting, the Budget & Finance Committee will review the Reserve balance.

Transfers from the Unrestricted Fund to the Reserve shall require a majority vote of the Board of Directors.

## Section 12. Reimbursement of Employee Expenses

Expenses incurred by employees while representing the Association shall be submitted to the Executive Vice President and reimbursed under the following guidelines:

- a. Air Travel – coach class purchased a minimum of 30 days prior to travel.
- b. Use of Personal Vehicle - maximum mileage rate allowable by the Internal Revenue Service.
- c. Lodging - actual cost.
- d. Meals - actual cost.
- e. Ground Transportation - actual cost.
- f. Tips. - Actual cost, not to exceed 25%.

Receipts will be required for all expense items over \$10. If receipt is lost, the employee shall submit a written statement stating the reason why the receipt isn't attached and the purpose of the expense.

When at all possible, the FAA credit card shall be used for employee expenses.

## Section 13. Reimbursement-Volunteers

Participation in Association affairs and events is on a volunteer basis. Therefore, volunteers will not be reimbursed for travel or other expenses, unless budgeted each calendar year by the Board of Directors or approved by policy; nor is there an exemption from meeting registration fees unless approved by the Board of Directors.

## Section 14. Master Accounts

Master accounts may be established as a routine practice at hotels and other establishments utilized for Association functions. Expenses that can be charged to the master account will include authorized expenses of Association staff and speakers and other expenses related to budgeted seminars and the annual education conference.

## Section 15. Local Association Dividend Program

Provided that FAA achieves an NOI of no less than \$20,000, 50% of the total actual NOI will be returned to the local affiliates in the form of a dividend. The dividend amount will be calculated based on the number of units reported in October by the local affiliate. Before dividends will be paid out, the Budget and Finance Committee will take into account any projected expenses such as, but not limited to, deposits to the Operating Reserve, Industry Mobilization Reserve or any Board approved expense that will be incurred during the next fiscal year.

## Financial Policy Review

The Budget & Finance Committee, chaired by the association Treasurer, will periodically review this policy and make recommendations for change to the Board of Directors for approval.