

Accounting Method

The Kentucky Chamber of Commerce operates on a fiscal year starting October 1st and ending September 30th. It is the policy of the Chamber to utilize the accrual basis of accounting in which revenues are recognized when earned and expenses when incurred. One twelfth of membership dues is recognized each month as revenue corresponding to the membership period. A deferred income account is maintained to account for dues not yet earned.

Accounts Payable

When an invoice is received, it is forwarded to the appropriate staff member who will approve the expense, code it to the proper expense category, and return it to the Operations manager to be processed for payment. If an invoice is received from a new vendor, the invoice must be approved by the appropriate staff member before the vendor is set up in the system. The checks are then written and forwarded to the Vice President of Administration or President/CEO for signature and approval before sending out. All checks over \$5,000 require dual signatures from the Vice President of Administration and President/CEO. The invoice is then filed in the appropriate vendor file.

Audit

It is a requirement that the Chamber have a financial audit performed by an independent accounting firm once a year. The Finance Committee which is chaired by the Treasurer and is embodied by four other members of the Board of Directors and the President/CEO will review the final audit with the CPA firm; then the committee will recommend the audit to the Executive committee and full Board of Directors for approval. The audit should be presented to the full board no later than the January board meeting the following year.

Bank Reconciliation

It is the policy of the Chamber for the CFO to perform the monthly bank reconciliation. After the bank reconciliation is performed, the CFO will sign and date the reconciliation for the auditor review.

Procedure:

Prior to the reconciliation the Operations Manager will:

- ✓ Verify deposit log to actual deposits as posted on the bank statement
- ✓ Verify amounts for payroll direct deposits, tax payments and other payroll withdrawals
- ✓ Record interest earned, bank charges, credit card charges and any other misc. deposit or withdrawal
- ✓ Reconcile all credit card transactions for the month.
- ✓ Verify all database entries match cash receipts for the month.

Bank Statements & Money Markets

All Bank Statements are mailed directly to the home of the Vice President of Administration. Upon receipt, the Vice President of Administration opens the statements, reviews the contents for proprietary purposes, investigates any unusual activity or item, then provides the original to the CFO for reconciliation.

D&O Insurance

It is the policy of the Chamber to carry a D&O insurance policy to cover employees and the board of directors.

Budget

An operating budget will be produced by the CFO with input from appropriate staff responsible for each department. This budget will be approved by the Executive Committee and Board of Directors at the first meeting of the Board of Directors for the next fiscal year, which runs from October 1st through September 30th. This approval will authorize the President/CEO to approve all expenses reflected in the budget. It will be used to track expenditures throughout the year and will be presented for comparison to actual expenditures.

Capitalization of Assets

All assets with a purchase price of over \$1,000 and a useful life of over 1 year will be capitalized and depreciated according to the straight-line basis of depreciation over their useful life.

Cash and Check Receipts Policy and Procedure

All incoming cash and checks will be processed according to the following procedure.

The designated mail-opener will:

- Gather all cash and checks for the current day's deposit including those from the mail and those dropped off at the Chamber.
- Immediately restrictively endorse the checks.
- Total the checks and cash using calculator tape (Microsoft Excel) for documentation.
- Upon verification of endorsement and correct total, the deposit slip should be filled out. The date, name on the check, check number, and the amount should be included on the deposit slip. If there is any cash, there should be some documentation of what it is for. The person filling out the deposit slip should *always* initial it.
- After the deposit slip is completed and totaled, copies of the checks and the deposit slip should be made and paper clipped together along with any documentation and then the data will be entered by the membership and/or business education department. The check copies and deposit slip copies and documentation should be given to the operations

manager for review of the computer entering. The CFO will determine the appropriate designation and application for the revenues.

- The deposit can be turned over to the administrative assistant who will take it to the bank. Whoever takes the deposit should bring back the receipt and all copies of the deposit slip back to the CFO for verification of the amount and filing with the rest of the day's deposit documentation. Any type of variance should be investigated.
- All deposits are done on a daily basis.

Chart of Accounts

It is Chamber policy to maintain a Chart of Accounts. All employees involved in the budgeting process will be issued a copy of the Chart of Accounts. The Chart of Accounts will be updated periodically.

Check Disbursements

All unused check supplies will be kept in a locked closet.

All disbursements will require proper documentation and must be approved by the Department Vice President, the CFO, or the President/CEO. This documentation may be an invoice or a check request form with proper receipts, etc.

All checks over \$5,000 must be signed by two authorized check signers. Those authorized to sign checks are the President/CEO, the Vice President of Administration.

Accounts Payable signed checks are returned to the Operations Manager for mailing.

Any unsigned checks not mailed at the end of the day will be stored under lock and key.

Contributions to the Chamber of Commerce

All invoices will advise that contributions to the Chamber are not tax deductible as charitable contributions, but that contributions to the Chamber may be considered an ordinary business expense.

Delinquent Accounts Policy and Procedure

It is the policy of the Chamber to send notices to those customers with accounts 30 due. Invoices that are 30 days past due will be mailed a "PAST DUE" invoice with an addition red "PAST DUE" stamp on it as a reminder that the account is past due and that payment would be appreciated.

If an accounts receivable is deemed uncollectable, the account must be reviewed and signed off by the departmental Vice President and filed for review by the CFO and auditors.

Donated Property

All donated property will be capitalized at appraisal value if the value is over the amount determined as the capitalization cutoff point. All donators will be advised that such donations are not deductible as charitable contributions, but may be used as ordinary business expenses.

Dues and Non-dues Refunds

It is the policy of the Chamber to refund current dues to those requesting a refund for whatever reason. Dues refunds will be issued on a prorated basis. Non-dues refunds will be given only when the cancellation is made prior to registration deadline. No refunds will be given after the registration deadline. This refers to all programs requiring registration and invoicing.

Federal Form 990

The chamber is required to file a form 990 with the Internal Revenue Service annually. The preparation of this form will be the responsibility of the independent auditors performing the financial statement audit for the Chamber. It will be approved and signed by the President/CEO of the Chamber before being submitted to the IRS.

Financial Statement Preparation and Distribution

The CFO will prepare monthly financial statements in accordance with GAAP, including an Income Statement and a Balance Sheet. All monthly balancing and reconciliation activities should be completed by the 20th day of the following month. Financial statements will be distributed monthly to the President/CEO, Treasurer and Chairman. The financials will be presented quarterly by the Treasurer or CFO to the Executive Committee for approval. The Board of Directors will vote on the financial statements as part of the consent agenda at their quarterly meetings.

Insurance

It is the policy of the Chamber to evaluate the chamber's insurance policies upon renewal to ensure that the coverage needs are adequately met.

Capital Asset Inventory

Inventory will be maintained by the CFO for use in evaluating insurance needs, for budgeting and recording depreciation, and for recording the appropriate values for the Chamber's land,

building, automobiles, equipment and software. Acquisitions or disposals will be added to the depreciation schedule as they occur and the inventory will be updated throughout the year as needed.

Investment Policy

Only cash necessary to meet anticipated day-to-day expenditures shall be kept available in the Chamber checking account. Any excess cash shall be invested in a sweep account to maximize daily interest of the operating cash.

Journal Entries

Journal Entries are created monthly by the CFO. These entries along with the backup for the journal entries will be kept in a binder in the CFO's office and will be available for review by the Vice President of Administration and/or President/CEO.

Leases

Leases will be classified as "capital" or "operating" and will be reported as such in the financial statements, according to criteria set forth by generally accepted accounting principles.

Property Usage

Equipment (including technology) is the property of the Chamber and has been purchased for Chamber use and not for loan or rent. Exception must be approved by the Vice President of Administration or the President/CEO.

Nonsufficient Funds Checks

Any checks returned because of nonsufficient funds will be reclassified as a receivable. A notice will be sent to the issuer who will be required to pay immediately.

Restricted Funds

The Chamber of Commerce accounts for all restricted money in separate accounts from operational funds. Such restrictions can occur either externally, by the Chamber accepting funds that include specific restrictions, or internally through Board approved restrictions placed on identifiable funds. These accounts shall include all funds designated regardless of amount. These funds are used in accordance with restrictions and guidelines placed upon them. Currently, the Chamber has two such restricted funds.

Time Sheets

It is the policy of the Chamber to require all non-exempt staff to complete time sheets and forward it to his/her supervisor for approval. The supervisor then forwards the approved time sheet to payroll.

Trade-Outs Policy

All trade-outs must be recorded properly in the appropriate income or expense accounts. Departmental Vice Presidents responsible for reporting the trade-out or donations to the President/CEO for approval and be made available to the auditors annually.

Voided Checks

All voided checks are to be stamped or clearly marked as VOID and filed in the Voided Check file. If voided checks are not physically available, a copy of the Stop Payment Order or some other form of documentation should be maintained.
