

LZACC Financial Policies and Procedure Manual

FINANCIAL POLICIES

A. Overview of Policy Statement

The Lake Zurich Area Chamber of Commerce (Chamber) is committed to responsible financial management. The entire organization including the Board of Directors, Executive Committee, Standing Committees, President and staff will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of the Chamber.

The policies and procedures contained in this manual are designed to:

1. Protect the assets of the Chamber;
2. Ensure the maintenance of accurate records of the Chamber's financial activities;
3. Provide a framework of operating standards and behavioral expectations;
4. Ensure compliance with federal, state, and local legal and reporting requirements. The Executive Director has the responsibility for administering these policies and ensuring compliance with procedures that have been approved by the Board of Directors. The Executive Director shall have primary responsibility for ensuring that proper Financial Management procedures are maintained and that the policies of the Board are carried out.
5. Exceptions to written policies may only be made with the prior approval of the Finance Committee. Changes or amendments to these policies may be approved by the Board of Directors at any time. A complete review of the financial policies shall be conducted initially one year after adoption of these policies and every two years hence.

B. Line of Authority

1. **BOARD OF DIRECTORS:** The Chamber Board of Directors is responsible for the formulation of its policies, the direction of its programs and the control of its property and finances. All statements of policy shall originate with the Board of Directors. Only the Board of Directors can authorize the Executive Director to incur any debt or pledge any assets as collateral on behalf of the Chamber for any purpose.
2. **EXECUTIVE COMMITTEE:** The Executive Committee has the authority to order disbursements for necessary expenses and may grant to any committee a reasonable amount of money for special work provided said amount does not exceed the approved budgeted allowance for such work. Recommendations for expenditures outside the budget shall be submitted to the Executive Committee whose recommendations shall be submitted to the Board.
3. **EXECUTIVE DIRECTOR:**
 1. The Executive Director has responsibility for receipts and disbursements. The Treasurer presents the monthly and annual financial reports to the Board, oversees the preparation and presentation of the annual budget, and is a member of the Finance Committee.
 2. The Executive Director has the authority to make spending decisions within the parameters of the approved budget, enter into contractual agreements within board designated parameters, make

decisions regarding the disposition of investments within the parameters of the investment policy; make fixed asset purchase decisions and make decisions regarding the allocation of expenses. Unless otherwise specified in this document, principal responsibility for complying with the directives enumerated herein shall be vested in the Executive Director.

3. The Executive Director reports to the President and is responsible for recording and reporting the daily financial transactions of the Chamber. The Executive Director, President and Treasurer, in consultation with the Finance Committee, prepare and present the annual budget for Board approval.

4. **FINANCE COMMITTEE:**

1. The Executive Committee shall serve as the Finance Committee. The Finance Committee is responsible for oversight and monitoring the financial health, fiscal policies and investments of the Chamber including assistance and consultation with the Executive Director on matters of audit, budget, and performance of stated objectives. A majority of the members of a committee shall constitute a quorum for any meeting of said committee.
2. The Finance Committee shall undertake a review, at least annually, of the Chamber's long range financial objectives and their ability to accomplish its stated mission and programs.
3. The Finance Committee shall review the Chamber Financial Policies and Procedures manual annually and make recommendations to the Board for approval for appropriate changes.

5. **AUDIT COMMITTEE:**

1. The Audit Committee serves the Board of Directors in selection, oversight, and reporting of the "as needed" annual audit and shall be comprised of three (3) members of the Board of Directors. Each member must be independent which includes: non-management and not receiving compensation either directly or indirectly from the Chamber as a consultant for professional services. Members must have the competency to understand financial statements. At least one member of the committee must be considered a "financial expert".

C. Investment Policy

1. This Policy is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Finance Committee and the Board of Directors of the Chamber. The investment strategies described in this Policy are to be dynamic. These policies reflect the Chamber's current status and philosophy regarding the investment of the Portfolio. These policies will be reviewed annually and revised as needed to ensure they adequately reflect any changes related to the Portfolio or Chamber financial goals and philosophies. It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein. This Investment Policy Statement will:

1. Establish reasonable expectations, objectives and guidelines in the investment of the Chamber's assets.
2. The specific objectives for the Investment Fund assets should attain a reasonable market rate of return commensurate with the level of risk in the underlying portfolio.
3. Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable for the Chamber including:
 - i. Describe an appropriate risk posture for investing;
 - ii. Specify the target asset allocation Policy;



- iii. Establish investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets;
 - iv. Specify the criteria for evaluating the performance of the Portfolio's assets
 - v. Encourage effective communication between the investment manager(s) and the Chamber.
2. Current Funds – Current funds are comprised of three basic categories:
 1. Current Operating Funds - Funds earned by the Chamber during the current year from Funds accumulated as a result of current year membership, and from sources and programs other than membership dues. These funds are received throughout the year and are used for operating expenses during the current year.
 2. Restricted or Designated Funds – Current Funds that have accumulated through membership, special events or other designations that are for a specific purpose. These funds may be retained in Current Fund balances, but may not be used for purposes other than their specific designations.
 3. Reserve Funds – Traditionally, the Chamber will maintain an amount equal to three months of operating expenses in a separate bank account from our checking account.
 4. Investment Funds- The Finance Committee may recommend diverting Reserve Funds into a separate Investment Fund.
3. Summary of Account Types/Assets:
 1. Allowable Assets: Bank checking, savings, money markets, and certificates of deposit.
 - i. Portfolio Restrictions: All other financial and hard assets. ex) stocks, bonds, annuities, commodities, futures, and real estate (not including primary office location).
 - ii. Acceptable Financial Institutions for Deposit: Active member financial institutions of the Lake Zurich Area Chamber of Commerce with minimum membership of three (3) years.
 2. Allowable Loans
 - i. A corporate credit card is permissible and held by and controlled by the Executive Director.
 - ii. The Executive Director of the Lake Zurich Area Chamber of Commerce can apply, sign and accept PPP loans, as deemed necessary by the Board of Directors, on the Chamber's behalf.
4. Asset Allocation
 1. Investments strategy for Reserve Funds is as follows:
 - i. Primary: Safety of Principal
 - ii. Secondary: Conservative Income
 - iii. Main Goal of Accounts: To earn reasonable short term interest rates for excess funds and current accounts.
 - iv. Asset Class Target Range
 1. Checking and Money Market: 10 – 60%
 2. Bank Certificates of Deposit: 40 - 90%
 2. Updated Allocations
 - i. From time to time, it may be desirable to amend the basic Allocation Policy or calculations. When such changes are made, updates will be attached to this Investment Policy as an Appendix and will be considered part of this Investment Policy.
 3. Rebalancing
 - i. From time to time, market conditions may cause the Portfolio's investment in various asset classes to vary from the established allocation.
 4. Liquidity

i. The Chamber has determined that sufficient dependable income and liquidity are available from the Current Funds portfolio and other sources such that the Chamber does not need to maintain cash balances among the Investment Funds assets, except as may be dictated for investment or operational reasons.

5. Selection/retention criteria for investments

i. Cash Equivalent Vehicles

1. All cash equivalent investments shall be pooled investment vehicles, such as money market funds, where the fund's share price is intended to remain constant and the fund's yield is comparable with the current risk-free rate of return. Also permitted in this category shall be United States agency-guaranteed bank certificates of deposit (purchased directly from banks or indirectly through brokerage accounts) or short-term U.S. Government securities.
2. The fund will have an investment track record of no less than five years.

D. Indemnification

1. The Chamber shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative, by reason of the fact that he/she is or was a director or officer of the Chamber, against expenses (including attorney's fees), judgments, fines and amounts paid in settlements, actually and reasonably incurred in connection with such action, suit, or proceeding, including any appeal thereof, if he/she acted in good faith and in a manner he/she reasonably believed to be in or not opposed to the best interests of the Chamber and, with respect to any criminal action or proceeding, had no reasonable cause to believe his/her conduct was unlawful.
2. Indemnification hereunder shall be made by the Chamber only as authorized in the specific case on a determination by a majority of disinterested directors that such individuals met the applicable standard of conduct set forth in the above policy. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or on a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not meet the applicable standard of conduct. Indemnification hereunder shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of the heirs, executors, and administrators of such a person.
3. The Chamber shall purchase and maintain insurance on behalf of any person who is or was serving at the request of the Chamber, as a Director, Officer, Employee, Agent, Staff Volunteer or other enterprise, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such.

FINANCIAL PROCEDURES

A. Financial Controls and Operating Procedures

a. Executive Director:



i. Is responsible for the bookkeeping and banking of the Chamber's financial activities and for the timely and accurate reporting of these transactions to the designated responsible parties.

ii. May initiate fund transfers only with the express written authorization from the President or Executive Committee.

iii. Opens and reviews Bank Statements

iv. Receives and prepares deposits

b. Signatories on all accounts are: Executive Director, President and Treasurer. Per the bylaws, checks over \$1,000 require two signatures with exception to rent checks which exceed this amount but are pre-approved by the Board and noted in the lease agreement.

c. The Audit Committee:

i. At the request of the Board of Directors, shall hire, set compensation, and oversee the auditor's activities.

ii. Ensures that the auditing firm has the requisite skills and experience to carry out the auditing function for the Chamber and that its performance is carefully reviewed.

iii. Supervises the audit and reviews the audit report and the annual income tax return (Form 990) prior to the Board of Directors' report.

iv. Sets rules and processes for complaints concerning accounting and internal control practices.

v. Unless specifically authorized by the Executive Committee, the selected audit firm may not perform non-audit services for the Chamber so as to prevent a conflict of interest.

B. Financial Reporting

a. General Guidelines

i. Accounts will be maintained and reports prepared on a modified cash basis of accounting, as approved by the Board of Directors. Revenues are recorded when received. Expenditures are recorded when checks are prepared.

ii. Accounts receivable are deemed uncollectible and charged against current operations if the balance owed is greater than 60 days past due. Bad debt expenses must be approved by the Board of Directors.

b. Reporting



- i. Financial reporting period is Calendar Year.
- ii. Annual budgets are prepared by the Executive Director, President and Treasurer with the Finance Committee in consultation. The Board of Directors will approve the annual budget no later than December each year.
- iii. Monthly Financial Reports including budget variances are presented by the Treasurer to the Executive Committee and Board of Directors with an explanation of variances greater than 10%
- iv. Aged account receivable balances must be reported to the Board of Directors on a monthly basis.

c. Internal Controls and Confidentiality

- i. The Executive Director is responsible for maintaining a system of internal controls adequate to safeguard Chamber assets.
- ii. The Chamber shall safeguard the privacy of financial records pertaining to its staff by assuring that only the Executive Director and President have access to payroll information.
- iii. The Chamber shall safeguard the security of its checking account by keeping all blank checks locked in the Chamber's office, fire-proof filing cabinet/safe and by only allowing the Executive Director to possess online access to Chamber accounts.
- iv. The Chamber shall maintain the security of any passwords for online banking in a secure location accessible only to the Executive Director and President.
- v. The Chamber shall safeguard the security of member credit card information by blacking out credit card detail from membership applications and shredding other documents with Credit Card information.
- vi. The independent auditor will have access to all detailed general ledger reports and will include any areas of concern in the annual report to the Finance Committee.
- vii. All manual journal entries will be reviewed and approved by the Executive Director on a monthly basis.
- viii. Bank statements are promptly reconciled on a monthly basis. Any discrepancies are immediately reported to the Executive Director.
- ix. Chamber financial records including bank statements, tax filings, financial reports, and invoices are retained in accordance with the Records Retention Policy in a safe and secure area. Audits are indefinitely retained.
- x. All member and financial data shall be backed up electronically on a daily basis and regularly stored in an offsite secure location.

C. Financial Procedures

a. Cash Receipts Procedure: The following procedure applies to any incoming cash/checks received by the Lake Zurich Area Chamber of Commerce. These monies include, but are not limited to: membership dues, contributions, and event payments, filing fees, sponsorship payments and miscellaneous invoices. The responsibility for controlling cash receipts and their subsequent deposits is a shared responsibility of the administrative staff including the Executive Director.

- i. The person opening the mail does the following: all monies received are bank-stamped "for deposit only" posted in QuickBooks, then placed in the bank deposit bag until deposit is recorded and taken to bank.
- ii. The Executive Director does the following: records the cash/checks in the general ledger, creates a bank deposit slip.
- iii. The Treasurer does a comparison of the check log to the general ledger on a periodic basis.
- iv. Bank deposits are made by the Executive Director.
- v. The bank deposit receipts are filed with The Chamber's copy of the deposit slip.

b. Cash Receipts at Events:

- i. The staff person responsible for the event must request a cash bag from the Executive Director no later than three days prior to the event. The staff person needs to provide the cash breakdown needed to the Executive Director so the proper change is available at the event. The staff person must also present dated receipts for the event.
- ii. The event staff is responsible for manning the payment table during the event. There must be a staff person handling the payments or supervising volunteers at all times.
- iii. After the event, it is the event staff person's responsibility to count the payments and beginning cash bank and preparing deposits.
- iv. If credit card payments are to be accepted at an event, the event staff person is responsible for the accuracy of the number, expiration date, security code, telephone number and billing statement zip code. This information is to be secured until the payment can process with the credit card processing company and then the credit card numbers are shredded.

c. Payroll Procedures:

- i. Timesheets for hourly employees are signed by employees and submitted to the Executive Director for approval on the 10th and 25th day of the month.
- ii. Payroll checks and payroll taxes are prepared, issued through direct deposit and dated the 15th and last day of each month for all employees.

iii. Upon completion of each cycle, all journal entries are posted to the General Ledger.

iv. Payroll taxes are deposited electronically within three business days of the effective date of payroll by the payroll processing company contracted by the Chamber.

v. Quarterly payroll tax returns are prepared and submitted on a timely basis by the payroll processing company contracted by the Chamber.

d. Invoice Payments and Employee Expenses:

i. Checks are, as a general rule, written weekly and on the last work day of the month.

ii. Invoices should be submitted as soon after receiving them as possible, but not later than three working days in advance of expected payment.

iii. All invoices must be initialed and submitted indicating they are approved for payment by the staff person or committee member who incurred the expense. Only the Executive Director, President or Treasurer may approve invoices for payment.

iv. Employee expense reimbursements are made on a weekly basis or as needed. Any expenditure for meals, toll and other cash must be accompanied by a receipt. Mileage is to be noted at the time it is accumulated.

v. Receipts for expenses by staff should be submitted periodically as expenses exceed \$10.00. Expenses will be reimbursed every week unless special approval is obtained from the Executive Director. Receipts must be submitted to the Executive Director at least two working days in advance of expected payment.

vi. No employee should ever promise a vendor that payment will be made upon delivery or within one or two days. Vendors need to be advised that The Chamber has a regular payment schedule. Most invoices will be paid within 14 days of receipt by the Executive Director.

e. Investment Monitoring and Control Procedures

i. The Investment Advisor shall present to the Finance Committee, a report at least quarterly that lists all assets held, values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals.

ii. The Finance Committee of the Chamber shall present to the Board of Directors of the Chamber of Commerce, at least annually, a report that lists all assets held, values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals. In conjunction with the report, the Finance Committee shall also annually present to the Chamber Board its review of the investment Policy and any recommendations for modification.

f. Purchasing & Vendor Procedures



- i. Contracts between The Chamber and any vendor may be signed by the Executive Director or the President. Staff is responsible for all purchases made by volunteers, committees, task forces, etc. as pertinent to the approved budget. Non-staff members (i.e. volunteers) making purchases should submit the receipt to the assigned staff person for approval. The staff person will approve the purchase if it is consistent with the attainment of the objective and budget of the committee or event.
- ii. It shall be the policy of The Lake Zurich Area Chamber of Commerce to purchase its supplies, equipment and services first and foremost from Chamber members in good standing. Exceptions to this policy would be if the Chamber has no member within the category, or if the cost savings realized by using a non-member exceed 20 percent. In such cases, non-members would be asked to join The Chamber in exchange for receiving the business.
- iii. For equipment, services and supplies totaling more than \$500 per individual purchase, or \$1,500 cumulatively for the year, The Chamber shall initiate a Request for Price (RFP) amongst its members. Choice of vendor shall reflect low bid plus consideration of other factors including quality of product, materials produced or work performed locally, and/or the ability to provide satisfactory ongoing service. In no event shall bid amounts from one vendor be disclosed to other bidding vendors.
- iv. It shall also be the policy of the Chamber to rotate vendors for other services whenever possible in order to patronize a broader cross-section of membership. The Chamber reserves the right to contract with any Chamber member for goods and services as long as the bidding process is followed and all specifications are met.

g. Document Retention & Destruction

- i. Document retention is vital to the efficient operation of the Chamber. Accordingly, all financial records shall be retained and destroyed according to the Chamber's Record Retention Policy. All retention requirements shall be treated as minimum retention periods. Retention for longer periods may be authorized by the Executive Director if there is reason to believe that a record may be required beyond the minimum retention period for the efficient operation of the Chamber.

h. Disaster Recovery

- i. Existing policies and procedures must be reviewed annually to insure that plans and provisions for all financial records to be adequately safeguarded during any period of natural disaster, access to financial during any extended period of recovery is predetermined, and permanent records are retained in such a manner providing protection in the best possible method so as not to hamper ongoing and future operations.

Reviewed and Accepted by:

Adopted by the Lake Zurich Area Chamber of Commerce Board of Directors



Date: 09/2012

Revised: 06/2021

ACKNOWLEDGEMENT OF RECEIPT OF POLICY

I acknowledge that I have received and read a copy of the Lake Zurich Area Chamber of Commerce Financial Policies and Procedure Manual and that I am responsible for following it.

X

X

Claire Slattery

Signed By Claire Slattery

Signed On: December 20, 2022

Signature Certificate

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