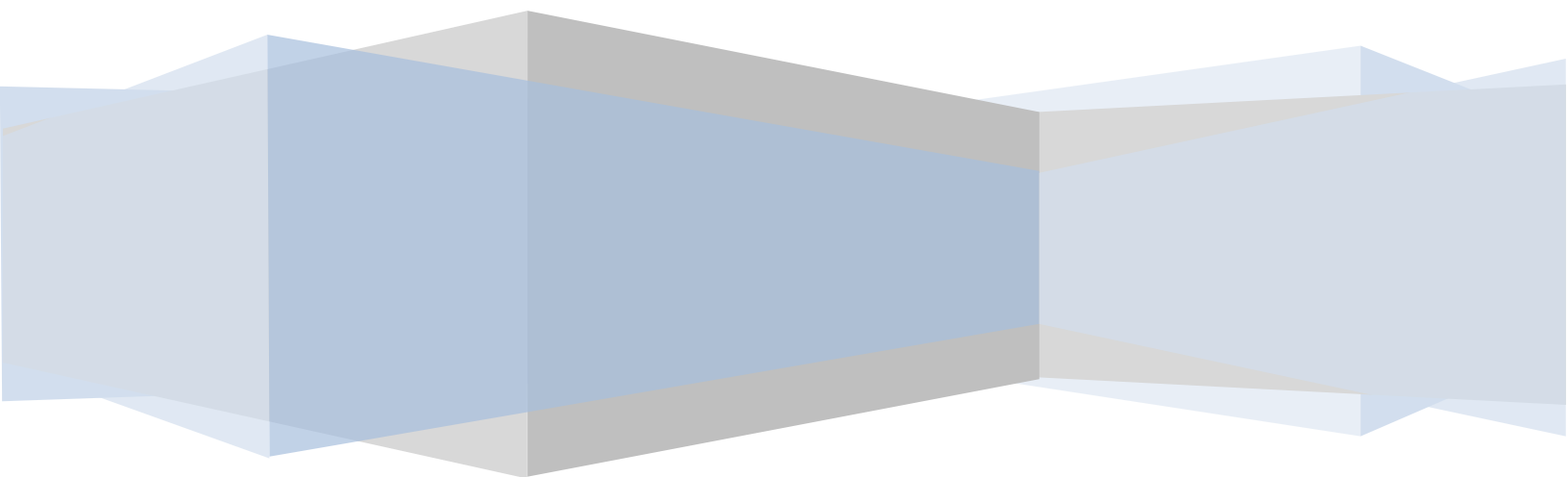




*New Canaan Board of Realtors*

**Finance Division**

**Principles of Operation**



# Finance Division Principles of Operation

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## **1 Introduction**

*This document serves as a compilation and codification of those basic financial principles which serve as the basis for many of the operating procedures of the New Canaan Board of Realtors Finance Division.*

Also included in this document is a listing of financial policies which, by their nature, their significance, and their direct member impact, require approval by the ***New Canaan Board of Realtors*** Board of Directors, along with comments on the administration of those policies by the Finance Division staff.

This document will be updated periodically to accurately reflect changes in operations and approved as needed by the Finance Committee.

## 2 Governance Structure and Constitutional requirements

### 2.1 Financial Governance Structure

*The Bylaws of the New Canaan Board of Realtors govern, guide and direct the financial operations of the corporation, laying the official foundation and framework for all financial policies and decisions. The hierarchy of financial operations runs from the Board of Directors, through their elected Treasurer and appointed Finance Committee down to staff, managed on a daily basis by the Chief Financial Officer, under the supervision of the CEO.*

The Bylaws begin by defining the membership of the Board of Directors as the governing body of the organization. From that body, members are elected to serve as officers of the corporation, one of which is the Treasurer. The Treasurer is defined as the “custodian of the funds and securities and the collecting and disbursing officer of the Association.” He /She can, at their discretion, delegate these responsibilities to the Chief Financial Officer, who will then follow through with depositing funds and securities in Board approved institutions. The Chief Financial Officer must be a Certified Public Accountant, subject to Executive Committee approval, who oversees “functions as are usual to the business.” Both Treasurer and Chief Financial Officer are required to provide a surety bond or appropriate insurance coverage to provide adequate protection to *New Canaan Board of Realtors* >.

The Bylaws also define the membership of the Finance Committee of the Association, listing the Treasurer as Chair of the Committee and identifying the other members and their term lengths. The Committee is charged with the creation of the annual budget for the Association, for review and approval by the Executive Committee and Board of Directors.

Another requirement of the Bylaws is that the “accounts” of the Association be reviewed annually by a CPA firm designated by the Board of Directors.

### 2.2 Budgets (Concepts)

*The New Canaan Board of Realtors planning & budgeting process is conducted on a three year cycle. Budgets are developed at the program level by the Board of Directors and program managers to define the revenue, direct expense, and labor components for each program within the Association’s operating budgets.*

In addition to defining direct revenue and expense dollars for all Association programming, *New Canaan Board of Realtors*’ practice is to budget the labor components by determining the number of exempt and non-exempt hours needed in each program. These hours are then calculated by standard labor rates and expressed as the labor dollars for the programs. In advance of actual budgeting for a new 3 year cycle, standard hourly rates are defined through a series of detailed calculations compiled by the Finance Division’s payroll area. These calculations are based on

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current compensation levels and include projected increases in salaries and associated fringe benefits that will occur over the course of the 3 year budget cycle.

All submitted budgets are reviewed in detail by the Chief Financial Officer. Any necessary adjustments are incorporated into the budget numbers and then presented to the CEO for final internal review and approval before release to the members of the Finance Committee. Resulting Finance Committee recommendations are then submitted to the Executive Committee and the Board of Directors for final approval.

### ***2.3 Independent Auditor Selection***

***The accounts of the New Canaan Board of Realtors shall be reviewed annually as of the close of the fiscal year by a Certified Public Accountant. An accounting firm is selected by the Finance Committee and approved by the Board of Directors.***

It is the Association's policy to conduct an official search for an accounting firm at least every five years. The process is initiated by requesting proposals (RFPs) from selected accounting firms (which may include the existing accounting firm). After the Finance Committee reviews the proposed responses, all or some of the firms are asked to conduct a formal presentation for the Finance Committee to provide specific information regarding services and fees. The Committee will then vote on which firm to hire for a specific term (five years).

### ***2.4 Insurance***

***New Canaan Board of Realtors has traditionally worked with a large reputable insurance broker to manage the market evaluation of insurance carriers and coverages. The insurance policies and coverages required for New Canaan Board of Realtors are managed by the Chief Financial Officer.***

Periodically, every few years, carrier bids are sought by the broker and reviewed by the Chief Financial Officer, to ensure that ***New Canaan Board of Realtors'*** insurance costs remain market competitive. The broker relationship should be assessed annually, by staff, and reviewed periodically by a qualified consultant to judge broker performance.

Traditional lines to be managed and obtained as described above include property, boiler and machinery, inland marine, general liability, automobile, garage keepers, crime, workers compensation, umbrella, kidnap and ransom, international liability, fiduciary and cyber liability. Errors and omissions/Directors and officers coverage is managed by the Legal staff.

## 3 Association Payment Policies

### 3.1 Corporate Resolutions

*Corporate resolutions are legal documents that define which individuals are authorized to act on behalf of the corporation. Most commonly, they are required by banks and securities firms where financial transactions will occur. The Board of Directors approves corporate resolutions as needed for the Association.*

The Board of Directors meets quarterly. Because of its large size, *New Canaan Board of Realtors* utilizes a Board approved certified corporate resolution to satisfy ongoing financial institution requirements for authorization to open and maintain financial accounts as the need arises. The Chief Executive Officer serves as the Association's Corporate Secretary.

A new corporate resolution is put before the Board of Directors whenever a change in the CEO position occurs, or whenever changes occur in financial institution authorization requirements that necessitate *New Canaan Board of Realtors* to also make language revisions within its own document.

Any new corporate resolutions that require approval are included on the consent agenda of the Board of Directors next regularly scheduled meeting. The original executed resolution is kept in *New Canaan Board of Realtors'* safe deposit box at its banking institution. Copies of the executed resolution are submitted to all financial institutions where *New Canaan Board of Realtors* maintains existing accounts, or opens new accounts, and is accompanied by a letter of direction signed by the corporate secretary.

The Finance Committee is empowered on behalf of the Board of Directors to approve corporate resolutions that must be executed outside of normally scheduled Board of Director meetings.

### 3.2 Banking Institutions

*New Canaan Board of Realtors maintains its primary banking relationships in New Canaan, CT, with First County Bank and \_\_\_\_\_. **New Canaan Board of Realtors Finance Committee is charged with the ongoing maintenance of the accounts, coupled with periodic review of account structures and fees.***

Banking institutions utilized by *New Canaan Board of Realtors* must carry the maximum FDIC insurance limits on interest and non-interest bearing accounts, as well as meet outside audit review requirements.

Periodically, the Chief Financial Officer and his staff may conduct a formal review process by issuing requests for proposal of services from banks equipped to handle the asset size of *New*

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*Canaan Board of Realtors* and that have divisions dedicated to not-for-profit clients. Final findings and recommendations for approval are presented to the Finance Committee.

At a minimum, once every five (5) years, banking relationships and fee structures are assessed and based upon results, the Chief Financial Officer may determine that the formal review process is not necessary. In this event, the Chief Financial Officer will present the findings to the Treasurer and seek his/her approval to maintain an existing banking relationship.

### **3.3 Association Payment Policies**

*The payment policies of the Association are designed to maintain positive vendor relationships, preserve the Association's credit worthiness, and maximize the benefits of positive cash flow in the organization.*

#### **3.3.1 Vendor Payment Terms**

*The Association's standard policy is to provide payment to vendors performing services or providing goods with a term of net 30 days. An alternative payment term may be established for a particular vendor upon entering into a contractual arrangement with the Association and these exceptions are handled on a case by case basis.*

Certain types of obligations necessitate immediate issuance of payment, such as for utilities, taxes, refunds/rebates, employee and member travel reimbursements, sponsorships, deposits, and required advance purchase of services/subscriptions.

Any change in the terms of payment for an existing vendor or for acceleration of a particular payment to a vendor must be approved by the Chief Financial Officer.

#### **3.3.2 Electronic Payments - Wire Transfer & Automated Clearing House (ACH)**

*Certain payments to vendors may be executed via a wire transfer of funds. These include large dollar payments (generally over \$100,000) for time sensitive purchases of goods or services and payment to international vendors of funds in foreign currencies.*

Electronic payments are initiated by designated Finance division staff via secure bank proprietary software. A mandatory electronic authorization is required and performed by designated management level Finance staff in order to release the payment instructions to the bank for further processing. Security level protocols in the bank software system prohibit a single individual from having the capability to both initiate and release an electronic payment to another party.



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### ***3.4 Check Signing Authority***

*In accordance with New Canaan Board of Realtors' corporate resolution, authorized signers are those designated by the CE and who hold one of the following offices of the Corporation: President, President Elect, Treasurer, CEO, or Chief Financial Officer.*

Any two authorized signatories are required to manually sign checks exceeding \$25,000. In addition to the CEO, check signing authority is also delegated to several ***New Canaan Board of Realtors*** Board of Directors members, including President or Treasurer to insure check payments are issued and signed within a timely manner to meet Association obligations.

### ***3.5 Corporate Credit Cards***

*Corporate credit cards (defined as cards where New Canaan Board of Realtors bears the responsibility for card payment, as well as risks of card usage) are not issued to the New Canaan Board of Realtors Leadership team.*

Corporate credit cards are not provided to ***New Canaan Board of Realtors*** staff, except for the CEO. The CEO is issued business credit cards. Consolidated billings, detailing the officers account charges, are issued by the card company on a monthly basis and sent to the program administrator's attention for review and payment. Payments made on the cardholder accounts are slightly in excess of the full balance and closely monitored to insure each payment is applied correctly. This payment practice has been in place to insure the card is never rejected at point of sale due to insufficient payment on their account.

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**3.6**

## **4 Government and Compliance reporting**

### **4.1 Required Government Compliance Filings**

*It is New Canaan Board of Realtors' policy to strictly adhere to all governmental and regulatory reporting deadlines, without exception.*

#### **4.1.1 IRS 1099s:**

*During the course of the fiscal year, the Accounts Payable department monitors and tracks vendors receiving payments and the types of payments received for compliance with IRS 1099 reportable income regulations.*

All vendors initially performing services or providing goods are required to submit a completed W9 form to the AP department before payment is released. Paper 1099 forms are prepared annually for the previous calendar year activity and sent to all eligible recipients no later than the stated IRS deadline date, which is normally January 31<sup>st</sup>. Subsequently, files containing all 1099 activity are electronically filed with the IRS by the stated deadline date (normally March 31<sup>st</sup>).

#### **4.1.2 RPAC & Corporate Communications:**

*The Finance Committee is responsible for compiling and electronically filing all required reports with the Federal Election Commission ("FEC").*

Reports for the receipt and expenditure activity of the REALTORS® Political Action Committee are normally due by the 20<sup>th</sup> day of the month following the close of a stated period of activity. Filing periods and due dates vary in an election year. As needed, Finance prepares and electronically files all 24 and 48 hour reports related to independent expenditure activity.

Corporate communications to members, resulting from expenditures made from *New Canaan Board of Realtors'* Political Advocacy Fund, are also prepared and electronically filed by Finance with the FEC. Reports are normally due by the 15<sup>th</sup> day of the month following the end of a stated quarter of activity.

FEC filing periods and due dates will vary in an election year.

### **4.2 IRS Form 990 and 990-T Tax Reporting**

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*<INSERT ORGANIZATION HERE> is classified as a 501(c)6 tax exempt trade association by virtue of an IRS determination letter. On an annual basis, 501(c) 6 organizations are required to complete the IRS Form 990 – Return of Organization Exempt from Income Tax.*

This return is designed to provide the IRS, the public and other interested parties with information regarding tax exempt organizations. Accordingly, *New Canaan Board of Realtors* completes this return each year.

Even though *New Canaan Board of Realtors* is a tax exempt organization, it generates some income (ex. advertising revenue) that is unrelated to its tax exempt status. This income is reported annually on the IRS Form 990-T – Exempt Organization Business Income Tax Return and any corresponding tax liability is remitted in a timely manner.

To ensure the association’s tax exempt status is protected, unrelated business income is monitored on an on-going basis.

## **5 Compensation**

### **5.1 Compensation**

*Compensation for staff of New Canaan Board of Realtors is determined by our Board of Directors, subject to general guidelines set by the CEO. All position salaries are reviewed on a three year rolling schedule for market reasonableness and competitions.*

Salaries for the CEO is reviewed on a more frequent basis for market reasonableness and are periodically certified as compliant with the guidelines and requirements set by the IRS for the “rebuttable presumption of reasonableness.”

### **5.2 Miscellaneous Compensation**

#### **5.2.1 Employees Wages**

*Employee wages including bonuses are reported on the IRS Form W2 for each employee on an annual basis.*

IRS Form W2 will also include other reportable non-cash benefits received such as payments for travel related reimbursements deemed by the IRS to be compensation.

Employees may receive a “gross up” tax reimbursement for certain payments (such as spousal travel on business trips) which is also reported on the Form W2.

#### **5.2.2 Employees Achievement awards**

*Employee achievement awards are tangible personal property awarded to employees because of length of service or achievement. Employee achievement awards do not have to be included in an employee’s W2 as income.*

The employee achievement awards must be given as part of a meaningful presentation under circumstances that don’t create likelihood that the payment is disguised compensation. Cash and cash equivalents must be included in the employees Form W2.

- Limit of \$400 per employee per achievement (\$1,600 for qualified plan award - which is an item awarded as part of a permanent, written, non-discriminatory plan)
- Limit of \$1,600 for all awards per employee, whether or not qualified plan awards
- Length of service awards must be after 5 years and only once in during the same year or in any of the prior 4 years.
- Amounts over the limits are included as employee income.

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**5.2.3 Officer or Director Allowances**

*New Canaan Board of Realtors Officers or Directors will, on occasion, receive payments from the Association. If an New Canaan Board of Realtors Officer or Director receives \$600 or more from the Association (other than approved Association travel reimbursements for the Officer/Director), these payments must be reported on the IRS Form 1099-Misc on an annual basis.*

Approved travel and administrative reimbursements are outlined in the *New Canaan Board of Realtors* Leadership Team Policy and Procedures Manual.

An Officer/Director may receive a “gross up” tax reimbursement for certain payments (such as spousal travel on business trips or car allowances) which is also reported on the Form 1099-Misc.

**5.3 *Payroll and Benefits Providers***

NYDEN CPA is the payroll provider for the *New Canaan Board of Realtors*®. Services include, but not limited to the calculation of payroll and tax obligations for each employee, check printing and delivery, management reports and quarterly tax form preparations.

Due to the volume and the confidential nature of the employee data, changing payroll and benefits providers is a complex endeavor and will only be considered if providers do not meet the professional expectations and business needs of the Association and its employees.

**5.4 *Payroll Pay Periods***

*Employees are paid on a biweekly basis. The payment methods are direct deposit or manual check disbursement. Employees are paid “current” for each pay period and any overtime or adjustments are processed as needed.*

**5.5 *Travel and Entertainment Employee Diners MasterCard Policy***

*New Canaan Board of Realtors has entered into an agreement with First County Bank), which provides qualified employees with a credit card for travel and entertainment expenses on behalf of the New Canaan Board of Realtors.*

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The travel and entertainment card may be used to purchase airfare, lodging, meals and travel related incidentals and has a \$17,000 spending limit. The credit card activity is monitored on a monthly basis by the CFO to ensure employees are making timely payments and to protect ***New Canaan Board of Realtors*** from misuse of the card. Employees are responsible for the card's safekeeping and it should not be used by anyone other than the cardholder.

Failure to use the card in accordance with ***New Canaan Board of Realtors***' policies may result in revocation of the card and may involve appropriate disciplinary action up to and including termination.

Lost or stolen cards shall be reported immediately to First County Bank's 24 hour customer service center at 866-552-8855. The incident shall also be reported to the CFO or the CEO.

## **6 Dues and other revenue processing**

*Dues are payable by check or credit card and are processed through a membership software system.*

### **6.1 Acceptable Forms of Payment**

*Acceptable forms of payment are Cash, Checks, Electronic Fund Transfers (ACH's, Wire Transfers) and Credit Cards (Visa, MasterCard, American Express, Discover and Diners). The Accounts Receivable department processes the revenue receipts for the **New Canaan Board of Realtors***



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## ***6.2 Dues and Assessment Refund Policy***

***New Canaan Board of Realtors*** is responsible for processing dues payments from members. We have established a refund policy that fairly addresses the needs of our members while maintaining fiscal prudence for the organization.

***New Canaan Board of Realtors*** will adhere to the following refund policy regarding dues and special assessments.

- A. If renewing membership for the new calendar year is cancelled by the member prior to January 1, the ***New Canaan Board of Realtors***> dues and assessment fees will be refunded directly to the member if the payment has been sent to ***New Canaan Board of Realtors***.
- B. If renewing membership for the new calendar year is cancelled by the member on or after January 1, the ***New Canaan Board of Realtors*** dues and assessment fees will not be refunded. Membership is non transferrable.
- C. For new members joining ***New Canaan Board of Realtors*** during a calendar year, there are no refunds of dues if the funds have already been submitted to the state and national levels. If funds are still being held at the local association, pending transmission to the state and national, dues may be refunded to the member, if the local association is refunding local dues as well.

## **7 Financial Reporting and Accounting policies**

### **7.1 Financial Reporting**

*The Financial Reporting department prepares quarterly, interim financial statements in accordance with Generally Accepted Accounting Principles (GAAP).*

Financial Reporting also prepares year-end financial statements including required footnote disclosures of **New Canaan Board of Realtors**. These statements are reviewed and presented to the Finance Committee by an independent CPA firm at the Year End Meetings held each year in March. **New Canaan Board of Realtors'** Board of Directors also receives the reviewed financial statements annually, wholly owned, which are presented by the Treasurer at the Year End Meetings.

### **7.2 Accounting Policies**

*The following is a compilation of general accounting policies which support the accounting and financial reporting conventions of the Association.*

A. Fiscal Year

**New Canaan Board of Realtors** has a fiscal year-end of December 31, as dictated by **New Canaan Board of Realtors'** Bylaws.

B. Investments

The Association's investments in securities with readily determinable fair values are stated at fair value on the balance sheet. Alternative investments held by the Association are carried at a fair value estimated by the investment managers based upon the market prices of the underlying funds. Realized and unrealized investment gains and losses are reported separately on the income statement. The cost of the securities sold is based upon specific-identification method. Money market accounts and securities with original maturities of three months or less are classified as cash equivalents. See Investment Policy for information on impairment testing.

C. Property & Equipment

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the following useful lives of the assets:

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	Years
Buildings	39
Building improvements	15
Furniture	5
Copiers	5
Media Equip	5
Fax Machines	5
Telephones	5
Software	3
Computer Equipment	3

Disposals of furniture and equipment must be approved by the Finance Committee including the reason for disposal. The CEO and CFO must be notified if the disposal involves portable electronic devices issued to individual staff members. Once approved, Financial Reporting records the disposal in the general ledger and asset sub module.

D. Revenue & Expense Recognition

The **New Canaan Board of Realtors** reports on a cash basis. Membership dues, subscriptions and service revenues are recognized in the year to which they relate. Revenues which are received, but apply to future years, are recorded as deferred revenue until earned. Sales of publications and other materials are recorded upon shipment of the goods. Expenses are recognized when incurred.

E. Reconciliations and Reviews

All balance sheet accounts are reconciled on either a monthly or a quarterly basis based upon materiality. In addition, analytical reviews are completed by the CFO on a monthly as well as on an “as needed” basis that tests logical relationships among accounts and among events. General ledger posting reports including sub ledger reports are reviewed and analyzed by the CFO. Unusual or incorrect results are investigated and adjustments are made as warranted.

F. Accounting Pronouncements

The CFO reviews all new and upcoming accounting pronouncements on an ongoing basis to determine impact, if any, on the Association’s financial statements. All such items are discussed between the Chief Financial Officer and the CEO to determine the best approach.

## **8 Capital assets**

### ***8.1 Capital Policy***

*For each budget cycle, New Canaan Board of Realtors' CEO creates both an operating budget and a capital budget. An acquisition can be considered capital if it is over \$1,000 and its useful life is over 1 year.*

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## **9 Administration of BOD approved policies**

*The following table specifies the separate and distinct policies that affect New Canaan Board of Realtors membership and therefore require Board of Directors approval. The administration of these policies is as follows.*

<b>Financial Policy</b>	<b>Approval Date</b>
Investment Policy Statement for all NCBOR Funds	Approved at the Annual Meeting
NCBOR Budget Policy	Approved at the Annual Meeting
General Membership Traveling on Behalf of the Association <ul style="list-style-type: none"><li>• Member Travel Reimbursement</li><li>• Staff Travel Reimbursement</li><li>• BOD Travel Reimbursement</li></ul>	Approved by CEO
Dues Collection Policy	Approved at the Annual Meeting

### **9.1 Budget Policy**

*The Budget Policy, approved by the Board of Directors, details the policy and process for requesting adjustments to the New Canaan Board of Realtors operating budget. Any changes in the policy are recommended by the Finance Committee to the Executive Committee for approval before going forward to the Board of Directors for final decision.*

The Finance Committee addresses requests for adjustments to current year budgets at their regularly scheduled meeting. Adjustment requests for the following budget year may be addressed at the Annual Meeting.

The Treasurer may convene a meeting of the Finance Committee, via conference call, if the nature and timing of a proposed adjustment requires consideration by the Finance Committee outside their normal meeting schedule.

The Board of Directors has the authority to direct reprogramming of funds within the current year operating budget of up to \$500,000 per occurrence, and duly notice on the monthly financial reports any reprogramming over \$100,000.

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## **9.2 Investment Policy**

*The Investment policy guideline for all funds of the Association is approved by the Board of Directors. The Treasurer, Chief Financial Officer, or other authorized staff as designated by the Treasurer or Chief Financial Officer, are authorized to invest excess cash in the funds within policy guidelines.*

Any changes to the investment policy are recommended for approval by the Finance Committee. The approved recommendations are further presented to the Executive Committee for decision before being put before the Board of Directors for final approval.

## **9.3 Employee Travel Reimbursements**

*New Canaan Board of Realtors will reimburse employees for "reasonable" travel expenses incurred by employees for bona fide Association-related travel. The term "reasonable" indicates that the Association recognizes an individual's normal needs and will reimburse such expenses in line with costs in that geographic area and the nature of the employee's assignment and responsibility.*

Every employee is expected to exercise prudence and due care in the expenditure of Association funds. There are specific guidelines based on Internal Revenue Service requirements covering the various types of expenses for which receipts are required. **New Canaan Board of Realtors** requires original receipts for all expenditures equal to or greater than \$50. Note: Per IRS Regulations, all original receipts for lodging and transportation should be submitted with expense report, regardless of amount. Senior management reserves the right to require receipts for some or all expenses less than \$50 for those employees for which they are responsible. The employee must maintain records of all his/her expenses and report them. Any questions regarding an expense item should be discussed with the employee's immediate supervisor prior to incurring the expense.

On an annual basis, the Internal Revenue Service issues an optional standard mileage rate for the use of a car for business. As of Jan. 1, 2014, the rate is .56 cents per mile.

Each supervisor and approver is responsible for providing, educating and guiding employees in their understanding of the travel policies of the **New Canaan Board of Realtors**.

All outstanding business-related travel expenditures remain solely the responsibility of the employee. These expenses will not be reimbursed until the expense report with proper documentation has been submitted for Association approval. If there are any outstanding expense reimbursements, the Association expects the employee to settle the account prior to departure.

The employee must submit his/her online expense report within 30 days of the business trip. Finance reserves the right to deny reimbursement for expense reports submitted after the 30 day deadline.

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#### ***9.4 Member Travel Reimbursements***

This policy is designed to:

- Insure compliance with minimum Internal Revenue Service (IRS) requirements.
- Insure that members are reimbursed on a fair and equitable basis.
- Avoid undue record keeping and reimbursement delays.
- 

*New Canaan Board of Realtors* will reimburse expenses submitted which are in compliance with IRS requirements and the *New Canaan Board of Realtors*. Travel Policy.

All expenses must be submitted on a (member) expense report within 30 days of the completed trip. Those submitted after 30 days may or may not be approved. In no case will any expenses be reimbursed more than 90 days after completion of a trip.

Note that on an annual basis, the Internal Revenue Service issues an optional standard mileage rate for the use of a car for business. As of Jan. 1, 2014, the rate is .56 cents per mile.