

Regulation 2020-004

GCA FINANCIAL POLICIES Approved 12/17/20
(Replaces Regulation 2013-02¹)

1 – ORGANIZATION

The Glenmore Community Association, Inc. (GCA) is a Virginia Non-Stock Corporation, organized and operated exclusively as a Homeowner’s Association as defined within the Internal Revenue Code of 1986. The purpose of the Association is to provide for the acquisition, management, maintenance and care of certain assets within the community, as defined in its Covenants and Restrictions, the Articles of Incorporation, and in accordance with the VA Property Owners’ Association Act (POAA).

2 – FINANCIAL RESPONSIBILITY

Each member of the GCA Board of Directors has a fiduciary responsibility regarding the finances of the Association. The Board of Directors is responsible for the preservation of the assets, the accurate receipt of all revenues, accurate payment of all liabilities, the accurate recordation of all revenue and expense transactions, and the accurate and transparent reporting of these financial reports to the GCA community. In 2017 the Board approved the use of a Common Interest Community Manager² (Associa-Community Group) to assist the Board with managing all accounts payable and receivable, managing the general ledger, producing monthly Income Statements and Balance Sheets, assisting with developing the annual budget and annual updates to the GCA Reserve Study.

3 – ACCOUNTING METHODOLOGY

The GCA’s financial books and records will be maintained by our management company, Associa-Community Group, on a cash (vice accrual) basis of accounting.

4 – AUDITS

Annually, the GCA Board of Directors will engage a certified public accounting firm to conduct an independent audit of the books and records of the GCA, issue an accrual basis (vice cash basis) report, and an audit opinion regarding the efficacy of the financial records.

5 – BANKING AND INVESTMENTS

The bank checking and investment accounts will be maintained in federally insured (FDIC) bank accounts³. There are two types of bank accounts: an operating account (to receive revenue and pay bills) and investment accounts (to hold allocated and unallocated reserves. All investments of cash from the investment account will be in FDIC insured deposit accounts, money market funds, and/or Certificates of Deposit.

¹ Regulation 2013-02 was approved on 10/17/2013

² VA POAA § 55.1-1800. Definitions – Professionally Managed

³ VA POAA § 55.1-1827. (Effective October 1, 2019) Deposit of funds; fidelity bond.

6 – ACCOUNTING SYSTEM

The GCA has contracted with Associa-Community Group for use of their accounting system and for their management of all accounts receivable, accounts payable, and the general ledger. Associa will provide monthly reports to include the general ledger, a monthly Income Statement, and a monthly Balance Sheet Report in accordance with the terms of the GCA/Associa contract. Associa will also provide two additional levels of financial oversight. The first is oversight at the Richmond regional office over the local office. And the second is oversight by the national office over the regional Richmond office. There are four additional levels of financial oversight provided by the GCA. The first is the Treasurer, the second is the Budget and Finance Committee, the third is the GCA Board, and the fourth is the independent annual audit of the books.

7 – CHART OF ACCOUNTS

Associa and the Treasurer will approve a Chart of Accounts that will ensure the proper recording of financial transactions on a cash basis of accounting and in accordance with Generally Acceptable Accounting Practices (GAAP). The Chart of Accounts will include a four digit account number, the title of the account, and a description of the transactions to be included in that account. Funds shall not be intermingled across the Chart of Accounts.

8 – TAXES & FEES

The Treasurer will direct that Associa or the GCA independent auditor will compute and pay all required taxes, fees; and ensure submissions are filed with Federal, State and Local authorities to include:

- State Corporation Commission Annual Report
- Form 1120-H US Income Tax Return for Homeowners Associations, or
- Form 1120 US Corporation Income Tax Return
- Form 1099-MISC
- Form 500 Virginia Corporation Income Tax Return
- Common Interest Community Board Annual Renewal Report
- County of Albemarle Business Personal Property Statement

9 – DELEGATION OF DUTIES

The duly elected Treasurer will be directly responsible for the financial affairs of the Association. The Treasurer will ensure that there is sufficient delegation of duties among the Directors and contracted individuals so as to provide for levels of internal control appropriate for the size and complexity of the Association's operations. The Treasurer will also oversee the Management Company's operations to ensure there is sufficient oversight of the financial records.

9A – COLLECTION OF ANNUAL ASSOCIATION ASSESSMENTS

Associa will maintain a record of each of the members of the Association in the accounting system. Associa will send notifications (electronic or by mail) to each member of the Association with regard to the amount of dues owed, the due date, and the amount of penalty for late payment, and Associa will record the payment of dues received in the accounting system.

Delinquent members will be billed in accordance with Regulation 2019-01, *Procedure for Collection of Late Assessments*, dated 21 March 2019.

9B - REVENUE RECEIPT PROCESSING AND RECEIPT OF MAIL

Under the terms of our contract, Associa is responsible for all receivables. All GCA mail will be received by Associa at the GCA's address of record: Glenmore Community Association; 1524 Insurance lane, Suite C; Charlottesville, VA 22911. Any mail that is dropped at the Gatehouse will be picked up twice per week by Associa.

9C – ANNUAL BUDGET

The Board of Directors shall approve and publish a budget at least (60) days prior to the first day of the following fiscal year defined as January 1st⁴. The budget will include all revenue and expense items, to include a reserve fund projection and anticipated contributions to it. The approved budget will be available to the members of the Association both on the Association's website and electronically on request.

The Treasurer will provide an annual report on Year End Close at the January meeting, and an annual report on GCA prior year and current year finances at the February Annual Meeting.

9D – ANNUAL ASSESSMENTS

In conjunction with the approval of the annual budget, and the reserve study updates, the Board of Directors will review and approve the annual association assessments ("dues").

9E – OPERATING CASH ACCOUNT AND INVESTMENT ACCOUNTS

The authorized signers on the bank operating accounts will be Associa. The authorized signers of the CD investment accounts will be the Treasurer and one other officer of the Association. Wire transfers or electronic payment of funds will be permitted between operating and investment bank accounts upon written approval of the Treasurer and acceptance by Associa. Under instructions and training provided by the Treasurer, electronic payments of approved invoices will be authorized from the operating account by the Responsible Board Member. The Treasurer will review and provide a written Treasurer's Report to the Board each month based on the Financial Reports provided by Associa. All bank statements and the reconciliations will be maintained for a period of seven (7) Years in accordance with the Associa contract.

9F - GCA ASSETS

The Treasurer is responsible for the identification and tracking of all GCA physical and real assets. Each year the Treasurer will provide an updated asset inventory to the independent auditor for the purpose of tracking and depreciation.

9G – VENDERS

⁴ VA POAA § 55.1-1826. (Effective October 1, 2019) Annual budget; reserves for capital components

All vendors must be entered as an authorized vendor in the Associa accounting system. All new contracts and all contracts for ongoing services must be signed by the President of the Association. All signed contracts will be stored in the GCA Google Drive (cloud services). Any resident may obtain a copy of a fully execute contract per GCA Regulation 2020-001.

All invoices for vender services rendered must be approved by the Responsible Board Member before payment is made. Invoices for routine recurring services such as monthly bills on an annual contract, may, at the discretion of Responsible Board Member, be approved by Associa providing that the Responsible Board Member provides that annual authorization in writing to Associa.

9H – Contract Procedures

The following procedure is required for all work requiring a contract that is anticipated to be greater than \$2000. This procedure is required for any budgeted or non-budgeted item:

- 1) A Request For Quote (RFQ) must be submitted to at least three capable providers. If three capable bidders cannot be identified, the Responsible Board member will provide documentation of their efforts to attempt multiple bidders. Contracts with less than three bidders must be reviewed by the GCA Board of Directors.
- 2) Returned bids by the supplier will be reviewed and approved by the respective Committee Chair. See section below, GCA Operating Budget (annual budget) for budgetary limitations.
- 3) A contract must include a written work scope and a payment schedule.
- 4) The contract will be signed by the GCA President.
- 5) The GCA Management company will be responsible for awarding the contract to the supplier, notifying suppliers not chosen, and managing all aspects of the contract.

9I – GCA BUDGET SPENDING AUTHORITIES

Each fall, the GCA Board approves the operating budget and any changes to the GCA Reserve Study (additions, deletions, and corrections). Each line in the Chart of Accounts is assigned to a Responsible Board Member based on their Board or Committee responsibility (as assigned by the Board). Spend authority by line item for Responsible Board Members is approved as follows:

GCA Operating Budget (annual budgets) – each line item in the operating budget is approved by the Board at least 60 days prior to the beginning of the new fiscal year (see Section 9C). The Board approves a fixed budget for expenditure by the Responsible Board Member. Responsible Board Members must only use funds that are specifically defined in the Operating Budget. As an example, a Responsible Board Member with excess funds in one account code may not transfer those funds to another line item without Board approval. The following provides review cycles for operating funds:

- Beginning 1 January, the Responsible Board Member is authorized to spend those specified operating budget funds up to the amount approved in the budget.

- At the March Board working session ... the Treasurer (or Associa) will provide training to all Board members (including incoming Board members) on the annual budget and will provide specific account code training to Responsible Board Members with budget authority.
- Beginning at the April Board working session ... each Responsible Board Member with budget authority will brief their funding status by account code to the Board as part of their written committee reports. The reports can be as simple as “Account Code, Operating Budget Funding Authorized”, and “Operating Budget Funds Expended Year to Date”.
- If at any time during the year, the Responsible Board Member anticipates exceeding the approved budget (over-expenditures), they should report that requirement at the next Board Working meeting, explain why the shortfall is anticipated, and request that the Board reallocate funds if the Board agrees with the need. The Treasurer will provide funding source recommendations to the Board if the Board approves the new requirement. The Treasurer’s recommendations might include using contingency operating funds to cover small over-expenditures or delaying further expenditures until the following year for larger expenditures. The treasurer will note these approved funding changes in the monthly Treasurer’s Report.
- Beginning in July, the Treasurer will establish meeting agendas to initiate the following year’s budget by account code with the intent of finalizing the next year budget by 60 days before the beginning of the next budget year. Generally, the next year’s budget will be approved by resolution at the October Board meeting.
- Beginning in October, the Responsible Board Members will brief their funding status by account code to the Board as part of their written committee reports and include their anticipated spend by year end. This will allow the Treasurer to brief the Board each month on funding availability through year end close.

GCA Allocated Reserve Budgets⁵ – each line item in the allocated reserve budget has a specified dollar amount, a specified year that has been approved by the current or previous GCA Boards, and is documented in the Board approved Reserve Study Report. As each year’s budget is being prepared, the GCA Board approves a Reserve Expenditure budget for the upcoming fiscal year based on the needs identified by the Responsible Board Member. The purpose of approving the Reserve Expenditure during the budget preparation process is to ensure proper planning has occurred, that the funds are within the Reserve Study parameters, and that the reserve study has planned for those allocated expenditures in that year. If the Reserve requirement appears in the annual GCA Budget Reserve Expenditures, and the allocated reserve line item exists in the Reserve Study, and the correct reserve funding has been allocated, and the correct year of expenditure has been reached, then no further approvals are required since the Reserve Study has been approved twice before (once when the Reserve Study was approved, and a second time during budget preparation. The Responsible Board Member is required to seek Reserve Fund Expenditure approval from the GCA Board under the following conditions:

⁵ VA POAA § 55.1-1826. (Effective October 1, 2019) Annual budget; reserves for capital components

- a) The reserve budget expenditure requested exceeds the amount that was approved in the annual budget process for Reserve Expenditures
- b) The reserve budget expenditure requested exceeds the amount that has been approved in the latest Board Approved Reserve Study
- c) The reserve budget expenditure requested does not match the anticipated year of expenditure as found in the approved Reserve Study
- d) The reserve budget expenditure does not match the reserve study allocated line item definition as found in the Board approved Reserve Study.
- e) The reserve study expenditure is a NEW line item that does not exist in the approved Reserve Study.

In order to continuously review reserve expenditures throughout the year, the following applies to Responsible Board Members for Reserve expenditures:

- Beginning in January, the Responsible Board Member is authorized to spend those specified allocated reserve funds up to the amount approved in the previous October Budget approval document.
- At the March Board working session ... the Treasurer (or Associa) will provide training to all Board members (including incoming Board members) on the annual budget and will provide specific account code training to Board Members with budget authority for allocated reserve funds.
- Beginning at the April Board working session ... each Board Member with budget authority will brief their reserve funding status by account code to the Board as part of their written committee reports. The reports can be as simple as “Account Code, Reserve Budget Funding Authorized”, and “Reserve Budget Funds Expended year to date”.
- If at any time during the year, the Responsible Board Member anticipates exceeding the approved reserve budget (see a) through e) above), they should report that requirement at the next Board Working meeting, explain why the shortfall is anticipated, and request that the Board reallocate reserve funds if the Board agrees with the need. The treasurer will provide reserve funding source recommendations to the Board if the Board approves the new requirement. The treasurer will note these approved funding changes in the monthly Treasurer’s Report, and if necessary document the changes in the annual update to the GCA Reserve Study.

9K – CHANGES TO POLICIES

Financial policies may be modified, deleted or added with the approval of the Board of Directors, and in accordance with the GCA Covenants and Restrictions, the GCA Articles of Incorporation, and in accordance with the VA Property Owners’ Association Act (POAA).