

Chapter Financial Management and Administration Policy

Adopted by the Appraisal Institute Board of Directors on 11/18/2016

The purpose of the Appraisal Institute Chapter Financial Management and Administration Policy (the "Policy") is to outline responsibilities of Appraisal Institute Chapters and the national Finance Department in accounting, managing, investing and reporting of Chapter finances.

Appraisal Institute Chapter Responsibilities

1. Chapter Property and Assets

Pursuant to the Appraisal Institute Bylaws, each Chapter holds its property and assets in trust for the Appraisal Institute (Article XII, Part A.).

2. Finance Committee

Each Chapter shall have a Finance Committee which shall consist of the Chapter Treasurer and a minimum of three (3) other Committee members.

The Chapter Treasurer shall be the Chair of the Chapter Finance Committee and shall serve a term as Chair that is commensurate with his or her term as Chapter Treasurer.

The Chapter Finance Committee should meet at least on a quarterly basis to review the financial condition of the Chapter. Additionally, the Chapter Finance Committee shall:

- review monthly financial reports;
- understand Chapter's activities and their impact on financial performance;
- review actual results to budget and investigate when they do not align with budget;
- develop action steps and make appropriate recommendations to the Chapter Board of Directors regarding financial results, especially when results are underperforming; and,
- at least on an annual basis, review the Policy and related procedures to ensure that the Chapter is in compliance with the same.

3. Budget

Annually, Chapters shall develop and approve an operating budget. The operating budget shall be balanced or show an operating surplus.

The Chapter Finance Committee shall prepare a proposed operating budget for the succeeding year and submit such budget to the Chapter Board of Directors by December 1st. The Chapter Board of Directors must approve an operating budget for the succeeding year no later than December 31st. The Chapter Board may approve the annual budget via conference call.

Approval via electronic means is permissible, but requires unanimous written approval by all members of the Chapter Board of Directors who have a right to vote. After the Chapter Board of Director's approval of the annual budget, the Chapter Treasurer shall submit the annual budget to the Appraisal Institute Finance Department no later than January 31st.

Chapters shall utilize a format and delivery mechanism for submission of the budget as outlined by Appraisal Institute Finance Department.

Failure to submit an approved budget will result in suspension of Appraisal Institute Finance Department's responsibilities as outlined in the Policy with the exception of maintaining active checking accounts and Reserve Fund deposits, until such time as an approved budget is submitted by the Chapter. The national Finance Committee will be informed of Chapters that have not submitted by the deadline an approved budget.

4. Disbursements

a. Vendors

Chapters shall manage all aspect of vendor relationships including, but not limited to:

- selection of an appropriate and reputable vendor for the required service or product;
- negotiation of the payment amount, terms and securing contract with necessary approvals as appropriate;
- obtaining IRS Forms W9 and providing these to Appraisal Institute Finance Department;
- review of invoices to ensure service or product has been received and requested payment amount is in agreement with the contract or original quote;
- timely submission of vendor invoices, check requests and expense reimbursements to the Appraisal Institute Finance Department;
- authorization of vendor payments; and
- resolution of vendor disputes.

b. Payment Approval

Chapter Treasurer shall approve all payments to outside parties. The disbursements shall be in line with the Board approved budget. If an expenditure is not within the approved budget, disbursement approval shall be accompanied by a motion of the Chapter Board of Directors authorizing the expenditure. The Chapter President may approve disbursements to outside parties if the Treasurer is unavailable and/or delay in approval could incur late fees or cause other harm to the Chapter.

c. Travel Expense Reimbursements

Travel expense reimbursements must be within the guidelines outlined in the Appraisal Institute Travel Expense Policy. The Chapter President shall approve the Treasurer's expense report while the Treasurer shall approve the President's expense report. An individual may not approve a payment to himself or herself.

5. Deposits

Chapter Treasurer shall deposit all checks and cash received by the Chapter into a designated checking account within 2 business days of receipt and promptly provide documentation for the deposit to Appraisal Institute Finance Department.

6. Accounts Receivable

Chapters will submit requests for accounts receivable invoices to Appraisal Institute Finance Department. Chapter Treasurer or Executive Director will provide assistance in collection efforts of past-due balances.

7. Payroll

Chapter Board of Directors shall establish the compensation package to Chapter staff.

Chapter Treasurer shall institute procedures to process and approve payroll to Chapter employee(s). An employee cannot authorize or process payroll payments to himself or herself.

8. Compliance with Laws

Chapters shall fulfill and comply with all state regulatory and reporting requirements. State required filings and reports shall be completed timely.

The Chapter shall comply with all state and federal payroll requirements, filing of IRS Form 941, remittance of payroll taxes and compliance with employment laws.

9. Restricted Funds

The Chapter Board of Directors is responsible for ensuring assets restricted for specific purposes, such as scholarships or government relations activities, are utilized only in accordance with the original restriction.

The Chapter Board of Directors shall approve all disbursements out of restricted funds either within the annual budget as a non-operating expense or via a motion.

10. Transition of Responsibilities

Chapters are responsible for understanding and adhering to this Policy. Chapters shall develop and maintain procedures, including training for incoming Treasurers, Finance Committee members and Executive Directors to ensure compliance with this Policy and related procedures.

11. Cooperation

Chapters shall cooperate with the Appraisal Institute Finance Department in fulfilling the obligations under this Policy. Additionally, Chapters shall promptly inform the Appraisal Institute Finance Department of changes to Treasurer or Chapter contact information.

Appraisal Institute Finance Department Responsibilities

1. Accounting

The Appraisal Institute Finance Department shall perform the accounting, cash management, Reserve Fund investment and financial reporting for all Appraisal Institute Chapters.

Each Chapter's accounting records shall be kept separately and not comingled with other Chapter's financial records. A uniform general ledger structure and accounting system shall be maintained for Chapters.

Chapter records shall be kept utilizing the accrual method of accounting in accordance with the United States Generally Accepted Accounting Standards.

2. Reporting

Monthly financial reports will be generated and made available to Chapters. Except for December and January, monthly reports shall be provided within a maximum of 30 days after each month-end. December and January reports shall be provided as soon as possible based on receipt of the preliminary results of the annual audit, but no later than 45 days after the month-end.

Standard monthly reports will include a Balance Sheet, Statement of Activities, comparison of actual results to budget, and general ledger detail report.

A report of the Chapter consolidated financial results will be periodically presented to the Appraisal Institute Finance Committee and Board of Directors.

3. Internal Controls

The Appraisal Institute Finance Department will establish and maintain, at a minimum, industry standard internal controls in performing its responsibilities under this Policy. Such internal controls will be on par with those established for the Appraisal Institute. Controls will include, but not be limited to:

- segregation of duties to ensure that no single individual controls multiple aspects of a transaction;
- timely completion of bank and balance sheet account reconciliations including resolution of unusual or questionable items;
- processing disbursements on behalf of the Chapter only after the expressed written approval of the Chapter Treasurer or Chapter President (if the Treasurer is unavailable and/or delay in approval could incur late fees or cause other harm to the Chapter);
- adherence to the Appraisal Institute Record Retention policy in retaining accounting related records; and
- transfers from the Reserve Fund are deposited only to a checking account designated for a Chapter.

4. Banking

a. Bank Accounts

Each Chapter shall have a dedicated checking account established on its behalf, which shall be maintained by the Appraisal Institute Finance Department. All revenue received on behalf of a chapter shall be deposited into the checking account held for the Chapter. Alternatively, all vendor payments made on behalf of a Chapter shall be funded from the Chapter's checking account.

b. Authorized Signers

Individuals authorized to initiate, approve, and release disbursements from checking accounts maintained on behalf of Chapters shall be identified within the Appraisal Institute Authorized Signer Policy which currently authorizes the CEO, CFO, General Counsel and Director of HR to have signatory authority over bank accounts.

c. Disbursements

The Appraisal Institute Finance Department shall perform all monetary disbursements and transfers. Disbursement of funds for invoices, expense reports and check requests will only occur with the express written approval of the Chapter Treasurer or Chapter

President (if the Treasurer is unavailable and/or delay in approval could incur late fees or cause other harm to the Chapter).

Payments shall be processed within a maximum of 10 business days of (i) receipt of all required documentation for the payment request and (ii) approval of such disbursement.

The Appraisal Institute Finance Department will not be responsible for ensuring that an expenditure is within budget before processing the payment; such responsibility lies with the Chapter.

IRS Forms 1099 will be issued by the Appraisal Institute Finance Department in accordance with IRS requirements.

5. Accounts Receivable

The Appraisal Institute Finance Department shall administer the Chapter accounts receivable cycle by:

- promptly generating and distributing invoices in accordance with Chapter specifications;
- applying customer payments, tracking balances and providing periodic statements; and
- pursuing past-due balances in coordination with the Chapter.

6. Reserve Fund

a. Cash and Investments Held by Chapters

Excess cash held by Chapters shall be consolidated with the Appraisal Institute's Reserve Fund Portfolio ("Portfolio").

In determining the initial deposit into the Reserve Fund Portfolio, cash and investment balances greater than three months of the average monthly Chapter operating expenses will be considered excess cash. The average monthly operating expense will be based on the last three fully closed years.

b. Portfolio Structure

Deposits from Chapters to the Reserve Fund shall be comingled with Portfolio assets, however will be accounted for and tracked separately.

c. Portfolio Oversight

The Reserve Fund shall be managed in accordance with the Reserve Investment Policy as approved by the National Board of Directors.

d. Transfers To and From the Reserve Fund

Transfers into or out of the Reserve Fund will be processed at the beginning of each quarter.

Chapters may submit requests to transfer funds out the Reserve Fund at any point, but the actual transaction will occur only at the beginning of the quarter. Such transfers shall be made to the checking account designated for the Chapter.

In years in which a Chapter generates an operating surplus, such surplus shall be transferred to the Reserve Fund and applied towards the deposits held for the Chapter. Alternatively, in years in which a Chapter incurs an operating deficit, such deficit shall be transferred out of the Reserve Fund and into a checking account designated for the Chapter.

Use of Reserve Funds held by Chapters other than to cover an annual operating deficit must be approved by Chapter Board of Directors.

e. Allocation of Investment Income and Fees

Net investment return shall be allocated proportionately to all deposits held on behalf of Chapters within the Reserve Fund Portfolio on a quarterly basis.

Net investment return includes interest, dividends, unrealized and realized gains/losses, less expenses directly attributable to management and oversight of the Portfolio. Expenses include investment advisory fees, management fees and transfer fees.

Allocation percentage will be adjusted upon new capital infusions into or withdrawals from the Portfolio.

7. Restricted Funds Held by Chapters

Assets held by Chapters that are restricted for specific purposes such as scholarships, government relations activities or other board designated programs shall be accounted for and tracked separately. Restricted assets held by Chapters will be comingled with assets held in operating cash accounts or the Portfolio, unless a legal, contractual, regulatory, federal or other requirements dictate otherwise.

8. Audit and Tax

Chapter financial records will be reviewed as part of the Appraisal Institute annual audit performed by independent Certified Public Accountants.

Appraisal Institute Finance Department will file the IRS Form 990 on behalf of Chapters.

Funding

Incremental costs (“Incremental Costs”) incurred by the Appraisal Institute Finance Department to execute the responsibilities delineated to it within the Policy shall be funded by a fee payable by Chapters. Incremental Costs represent expenses incurred that otherwise would not have been payable by Appraisal Institute without this Policy and may include, but are not limited to, personnel, technology, banking, audit and tax services. The amount payable shall be calculated for each Chapter as a Base Fee plus a Variable Fee Percent of such Chapter’s average annual expenses. The Base Fee and Variable Fee Percent shall be established by the national Finance Committee, subject to the national Board of Director’s approval, so that total amounts paid by Chapters under this section of the Policy shall reimburse the necessary Incremental Costs incurred by Appraisal Institute to execute its obligations under the Policy. The combined Base and Variable Fee shall be paid in four equal installments on a quarterly basis.