

RULES AND REGULATIONS – FINANCE AND BUDGET

Cape George Colony Club Critical Accounting Policies

This policy provides guidelines for the major accounting practices to be followed on a consistent basis by the Board and Management of Cape George Colony Club (CGCC). It serves as the guidance for the preparation of financial reports and notes thereto. The policy also establishes the framework upon which accounting procedures are based.

REASON FOR THE POLICY

This comprehensive policy seeks to:

- Promote consistent accounting activities for CGCC related to its critical accounting activities in conformity with Generally Accepted Accounting Principles (GAAP);
- Provide a basis upon which internal procedures will be based;
- Establish guidelines for implementation of the procedures; and
- Set forth the bases for financial reporting.

POLICY STATEMENTS

Generally Accepted Accounting Principles – CGCC accounting activities and reporting are, as required by the American Institute of Certified Public Accountants (AICPA), guided by and prepared according to GAAP. Generally accepted accounting principles (GAAP) are uniform minimum standards of and guidelines to financial accounting and reporting. Adherence to GAAP assures that financial activities and reports of contain the same types of financial statements and disclosures, for the same categories and types of funds and account groups, based on the same measurement and classification criteria.

Accrual accounting – As recommended by the AICPA, CGCC uses accrual accounting as its basis for measurement. This is a standard accepted methodology defined as a method of keeping accounts which shows expenses incurred and income earned for a given period, although such expenses and income may not have been actually paid or received in cash. The accrual basis is more preferred as it results in accounting measurements based on the substance of transactions and events, rather than merely when cash is received or disbursed, and thus enhances their relevance, neutrality, timeliness, completeness, and comparability. The accrual basis is more widely used than other methods as it correctly matches the earnings process to the expenditure activity.

Fund Accounting – To ensure observance of limitations and restrictions on the use of certain internally designated financial resources, CGCC maintains its accounts using modified fund accounting. Financial resources are classified for accounting and reporting purposes according to their nature and purpose. CGCC maintains an Operating Fund and one or more Replacement Reserve Funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Each fund must be accounted for such that its resources, obligations, revenues and expenditures or expenses and fund equities are segregated from other funds. See also FIN04.

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Bad debts – CGCC maintains an Allowance for doubtful accounts and annually the Board reviews and approves specific accounts that are expected to be uncollectible. The allowance account is a balance sheet account that reduces the reported amount of accounts receivable. Providing an allowance for doubtful accounts presents a more realistic picture of how much of the accounts receivable will be turned into cash. The Allowance represents the cumulative value of all receivables that are deemed unlikely to be collected, regardless of the year in which the receivable occurred. It should be noted that an Account Receivable at CGCC is very seldom written off as an actual bad debt. Even in the rare instance where an Account is actually written-off, continued efforts may be made to collect any outstanding amounts. The calculation of the Allowance provision and the actual write off procedure for these debts are separate transactions detailed in operational procedures. See also FIN03.

Solicitation of bids – CGCC is committed to a fair and transparent acquisition process for all goods and services to ensure that the Club receives the best overall value for the purchase of goods and services. Competitive bids are required for any single purchase of goods or services that will result in payment of \$15,000 or more to a single vendor within a given fiscal year. Competitive bids are also required for a multi-year agreement that will result in a payment to a single vendor in excess of \$25,000 over a two-year period. Nothing in this policy requires CGCC to accept the lowest dollar value bid but rather enables the Club to accept a bid based on a combination of cost, quality, reputation and other factors. There may be situations where the opportunity to solicit competitive bids does not exist as in the case of a single source or sole supplier or where firms chose not to submit bids. In these instances the requirement for a competitive bid may be waived by agreement of the Board. Management is also free to solicit competitive bids for goods and services that do not meet the dollar threshold if, in Management's judgment a greater benefit to the Club would result.

Required annual reviews – Annually, the Board assisted by CGCC's General Manager and Treasurer and/or Finance Committee, will review and adopt by resolution, the following critical accounting reports;

- Replacement Reserve study;
- Summary of expenditures from the replacement reserve funds;
- Any statutory requirements imposed by RCWs related to reserve funds;
- Annual report on the rate of return of the replacement reserve investments;
- Additions and deletions of capital assets as presented in the depreciation schedule;
- Annual update on the Allowance(s) for Doubtful accounts including information concerning accounts sent to collection agencies, recoveries and/or accounts otherwise written off;
- Management representations to the external auditor;
- External financial audit;
- Federal tax return;
- Corporate report as required by RCW 24.03;
- Verification of accounts held by any and all financial institutions;
- Verification of authorized banking signatories on any and all financial accounts;
- Ratification of annual updates to reserves schedules; and
- Reserve disclosure summaries to be included with the annual budget material.

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This policy replaces all prior critical accounting policies.

Adopted by the Board of Trustees, August 15, 2013

Adopted by the Board of Trustees, December 10, 2015

Richard Hilfer, President

Katie Habegger, Secretary