



***LANCAIR OWNERS &
BUILDERS ORGANIZATION***

POLICIES AND PROCEDURES HANDBOOK

April 1, 2017

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1 PREFACE

This purpose of this Policy and Procedures Handbook (Handbook) is to provide basic organizational information as well as policies and procedures for Governance and Financial Practices for the Lancair Owners and Builders Organization (LOBO).

This document should be provided to all members of LOBO's Board of Directors (Board) and officers, and shall be made available to members of LOBO for reference. This document provides guidance regarding structure, quorum, transaction, or business of LOBO. If there is a need for further clarification or guidance, this document may be revised by the Board. In the event of any conflict between this document and the bylaws, the bylaws control.

2 GOVERNING POLICIES AND PROCEDURES

2.1 *Mission Statement*

LOBO promotes the safe use of Lancair and Evolution aircraft through education, training and fostering communication between members. LOBO safeguards and furthers its members' interests with regulatory agencies, the general aviation community and the public at large.

LOBO is an invaluable resource and advocate for Lancair builders, owners and pilots. LOBO has the expertise and contacts to help members learn to build, fly and maintain Lancair and Evolution aircraft safely and professionally.

2.2 *Bylaws*

The bylaws contain a broad set of operating provisions and are an integral part of these operating policies. LOBO's bylaws are attached as Appendix A.

2.3 *Records Retention Requirements*

Records subject to retention should be maintained by the President and / or other officers as designated by the President. Records should be maintained electronically and in a manner accessible to all Board members and officers. The following records shall be maintained for the periods indicated:

- Bylaws – permanent
- Articles of Incorporation – permanent
- IRS Letters of Exemption - permanent
- Policies & Procedures Handbook – permanent
- Tax Returns - permanent
- Financial Records & Reports – seven years with the exception of Contracts which should be maintained for seven years after the obligation is fulfilled
- Software Licenses and Manuals – until superseded

3 FINANCIAL POLICIES AND PROCEDURES

3.1 General Purpose

These policies establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of LOBO, and managing LOBO's funds. Funds of LOBO shall be used to promote the mission of LOBO. This section of the Handbook supports and is in addition to provisions contained in the bylaws.

3.2 Financial Responsibilities

It is the responsibility of the Board to formulate financial policies and review operations and activities on a periodic basis.

The Board delegates oversight responsibility to the Treasurer to implement financial policies approved by the Board and to report to the Board.

The Treasurer, supported by personnel appointed by the Board, acts as fiscal agent and implements all financial policies and procedures. The Treasurer is responsible for the annual budget, management of the reserve and other fund investments, completion of tax returns and approving revenue and expenditures in accordance with Board-approved long-term plans.

The Treasurer, together with financial support personnel appointed by the Board, has day-to-day responsibility for receiving and disbursing funds, ensuring the accuracy of accounting records, internal controls, meeting organizational financial objectives and policies, financial statement preparation, and bank reconciliation.

3.3 Budgeting Process

The Treasurer shall be responsible for presenting to the Board an annual operating budget draft sixty (60) days prior to the end of the fiscal year. The Board shall approve the budget.

3.4 Financial Statements

LOBO's financial statements shall be prepared on a modified cash basis.

Net assets and revenues, expenses, gains and losses should be classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of LOBO and changes shall be classified as unrestricted, temporarily restricted and permanently restricted.

The Treasurer shall prepare, or cause to be prepared, quarterly financial statements for Board for review.

3.5 Operating Fund

LOBO should endeavor to maintain an operating fund of three times LOBO's annual operating expenses. When the operating fund balance varies from the target amount by more than 20%, the Treasurer and the Board shall develop a plan to bring the operating fund back to this target. Any excess operating funds may be conservatively invested as the Board deems appropriate.

3.6 Receipts to Donors

All donors, members and contributors shall receive proper acknowledgement of their contributions and fees in accordance with IRS guidelines.

3.7 Expenditure Policy

The Board delegates to the President authority to approve unbudgeted expenditures not exceeding \$1,000.00. Unbudgeted expenditures in excess of \$1,000.00 shall be approved by the full Board. Refer also to Travel and Expense Reimbursements and Credit Card Expenditures below.

3.8 Travel and Expense Reimbursements

Officers and Directors may be reimbursed for approved expenses in furtherance of LOBO's mission. Expenses in excess of \$100.00 require pre-approval of the President and two additional Board members. Appropriate documentation is required for all expense reimbursement and must be submitted to the Treasurer within seven days of incurring the expense. Travel reimbursement shall be consistent with IRS guidelines.

3.9 Credit Card Expenditures

A LOBO-issued credit card shall be used for expenditures whenever possible. Appropriate supporting documentation is required for all credit card expenditures. Unbudgeted expenditures in excess of \$100.00 require approval of the President and 2 additional Board members. Receipts are required for all purchases and shall be forwarded to the responsible officer with seven days.

3.10 Contracts

All contractual commitments in excess of \$500.00 require Board pre-approval.

3.11 Notes, Loans, Etc.

All notes, loans and other indebtedness to be contracted in the name of LOBO (except open accounts and all other routine banking transactions), shall require the signature of the President and Treasurer and be approved by the Board. Loans to Board members are prohibited.

3.12 Investments Reports and Investments Policy

The Treasurer, with oversight of the Board, shall review and determine the general investment strategy for all funds. LOBO's fund investment philosophy is safety of principal and liquidity to meet short-term obligations.

3.13 Insurances

Reasonable and adequate coverage will be maintained to protect LOBO's interests as well as the Directors and Officers of LOBO.

3.14 Property and Equipment

Property and equipment of LOBO shall be initially recorded at acquisition cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

3.15 Donated Materials and Services

Donated materials and equipment shall be reflected in the financial statements at their estimated value on the date of receipt. Volunteers donate time to LOBO on an on-going basis. Such contributed services are not reflected on LOBO's financial statements, since there is no objective way of assessing their value.

3.16 Tax Reporting

LOBO is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code as amended. Accordingly, no provisions for income taxes shall be reflected in the financial statements unless Unrelated Business Income (UBI) is received. Tax returns shall be filed annually in accordance with IRS requirements.

3.17 Special Event Pricing, Compensation & Sponsorships

The pricing philosophy for LOBO-sponsored events is to cover all costs of the event and to provide modest net revenue to fund LOBO's reserve fund requirements, without regard to donations of sponsors. Sponsor donations shall be used to fund projects in support of LOBO's mission at the discretion of the Board.

LOBO may elect to cover the cost (such as hotel rooms, registration fees, meals, etc.) of Directors, Officers and other individuals and organizations (such as speakers, trainers, etc.) who substantially contribute to LOBO events. All such costs will be included in the total event cost for establishing event pricing (as described above). Payment of covered expenses by LOBO must be fair, equitable and transparent to both the beneficiaries and LOBO membership, and should be relative to the support provided. The covered costs of each event should be established by the Board prior to the event.

Sponsorship payments must be qualified to avoid the payment of taxes as "unrelated business income." A qualified sponsorship payment is any payment made by a person engaged in a trade or business for which the person will receive no substantial benefit other than the use or acknowledgment of the business name, logo, or product lines in connection with LOBO's activities. "Use or acknowledgment" does not include advertising the sponsor's products or services. LOBO's activities include all its activities, whether or not related to its exempt purposes. For example, if, in return for sponsorship payment, LOBO agrees to use the sponsor's name or logo in acknowledging the sponsor's support for an educational or fundraising event, the payment is a qualified sponsorship payment and not subject to income tax. Direct marketing and resale of a sponsor's products may generate "unrelated business income" which may be subject to taxation. LOBO does not intend to normally engage in taxable transactions. Engagement in any taxable transaction requires pre-approval of the Board.

LOBO's standard Sponsorship Agreement is attached as Appendix B.

4 ACCOUNTING CONTROLS

4.1 General

Accounting controls should be designed to achieve the five basic objectives:

4.2 Validation

Validation is the examination of documentation by someone with an understanding of the accounting system, for evidence that a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures. As systems grow more sophisticated, validation is a built in component whereby the transactions test themselves against predetermined exceptions.

4.3 Accuracy

The accuracy of amounts and account classification is achieved by establishing control tasks to check calculations, extensions, and additions and account classifications. The control objective is to be certain each transaction is recorded at the correct amount, in the appropriate account and in the right time period.

4.4 Completeness

Completeness of control tasks ensures that all transactions are initially recorded on a control document and accepted for processing once and once only. Completeness controls are needed to ensure proper summarization of information and proper preparation of financial reports. To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained.

4.5 Maintenance

The objective of the maintenance controls is to monitor accounting records after the entry of transactions to ensure that they continue to reflect accurately the operation of the business. The control system should provide systematic responses to errors when they occur, to changed conditions, and to new types of transactions. The maintenance function should be accomplished principally by the operation of the system itself. Control maintenance policies require procedures, decisions, documentation, and subsequent review by a responsible individual. Disciplinary control tasks, such as supervision and segregation of duties, should ensure that the internal control system is operating to the extent feasible given existing staffing.

4.6 Physical Security

It is important in all business organizations that the assets are adequately protected. Physical security of assets requires that access to assets be limited to authorized personnel. One means to limit access to both assets and related accounting records is through the use of physical controls. Protection devices restrict unauthorized personnel from obtaining direct access to assets or indirect access through accounting records that could be used to misappropriate assets. Locked storage facilities restrict access to inventories, and fireproof vaults prevent access to petty cash vouchers. Transaction recording equipment limits access to assets by limiting the number of individuals involved in recording and posting transactions.

5 Appendix A – Bylaws

See Bylaws approved by the Board effective April 1, 2017.

6 Appendix B – Sponsorship Agreement

See Sponsorship Agreement approved by the Board effective April 1, 2017.