Hawaiian Paradise Park Owners Association

Policy Number 4.6 Finance and Accounting Internal Control Process

Relevant Statutes, Ordinances or Association Governing Documents: HPPOA Bylaws (Aug 25) Article VIII Sec 9, HPPOA Bylaws (Aug 25) Article IX Sec 5, HPPOA Bylaws (Aug 25) Article XI, HPPOA Bylaws (Aug 25) Article XII Sec 3

Purpose: To outline the HPPOA Accounting and Finance Activities and Responsibilities in accordance with GAAP (Generally Accepted Accounting Principles). HPPOA has a fiscal year end of June 30.

Details:

1) Accounting System: (Accrual Basis)
    a) HPPOA uses an Accounting Software which is currently QuickBooks Enterprise Solutions, which also serves as our Member/Owner database.
    b) The Bookkeeper and/or their backup has complete access to QuickBooks and is responsible for posting all transactions in QuickBooks. This includes journal entry postings and financial statements. Journal entries typically include monthly allocation entries for expenses and other recurring transactions (prepaid, deferred revenue, salaries and wage expense, operating expenses, etc.).
    c) HPPOA's General Manager, BOD President, BOD Treasurer, and Office Admin have access to QuickBooks.
    d) HPPOA conducts monthly QuickBooks backups on an external drive and thumb drive that are stored in separate secure locations. A daily backup is also stored on the server in a secured vault.
2) Details of Revenues (Checks/Cash/Credit Cards):
    a) Revenue consists of association fees, late fees/interest fees, credit card convenience fees, transfer fees, lien fees, leases, donations, and Activity Center deposit and rental fees.
    b) Credit card transactions are processed and reconciled each day. Persons making a credit card payment will receive a merchant services receipt in person or via email. Payments are deposited directly into HPPOA's bank account.
    c) In person cash payments receive a handwritten receipt from a pre-numbered receipt book and is immediately recorded for deposit. Cash is stored in a bank bag with the cash box in our secure vault until the General Manager or a member of the HPPOA Board of Directors Executive board (President, VP, Treasurer, Secretary) collects the bank bag to hand deliver to HPPOA's Bank.
    d) After depositing, the bookkeeper will attach the bank deposit receipt to the QuickBooks' deposit report and file it.
    e) Bank runs are 1 -5 days a week depending on the time of year or volume.
    f) Checks are immediately entered, stamped "for deposit only," and electronically Deposited. Payments received in the mail are verified by

matching the remitted bottom half of the annual bill or the TMK/account number listed in the check memo. Checks are destroyed after 90 days.

3) Association Fees & Annual Fee Billing:
    a) The HPPOA Board approves the annual Road Maintenance fees. Invoices are sent out in January to all Members (Property Owners) and are due by April 1st. The Bookkeeper and/or their backup will enter payments and verify that the correct lot and block and TMK are being credited.
    b) Finance Charges are assessed on any unpaid balance due at the end of each month, beginning April 30.
    c) Annual fees billed are recorded to the balance sheet with ½ being posted to the current fiscal year, and ½ to the following fiscal year, and each month 1/12 is posted to the Profit & Loss statement as income.
4) Property Transfer Fees:
    a) At the time of escrow closure, the billing and property owner QB database records are updated including seller inactivation and creation of the new/buyer property owner information.
    b) A $300.00 transfer fee is invoiced to the buyer to change the property owner name in HPPOA's database, as well as processing the new deed, verifying mailbox key availability/status, and mailing a welcome packet to the new owner.
    c) If no escrow company is used, it is the responsibility of the new owner to advise HPPOA of the transfer, provide a deed, and pay the transfer fee.
5) Late Fees & Interest:
    a) Unpaid association fees or any unpaid open balances are subject to a current interest charge of 10% annually. Delinquent accounts are researched and corrective actions including mailing and phone calls are conducted. Liens will be placed on properties and fees assessed on delinquent accounts which have open balances more than two years old.
    b) A lien fee of $200.00 is charged to the owner and added to their account.
    c) Waiver of interest charges is permitted at management's discretion and does not need board approval. A maximum of two (2) months interest charges may be waived due to the timing of escrow closing or when payment is received in the mail. These are payments considered made in good faith and the title company or property owner may not be aware that an end of month interest charge had been assessed.
6) Rental Revenue:
    a) HPPOA leases 20 acres of land to the Malamalama Waldorf School under the terms of a 99-year lease which began June 1, 1980. Check the current lease terms for rates. This is shown as rental income per year.
    b) HPPOA rents out their community multi-purpose area to owners and non-owners. The Deposit and hourly fees are detailed in the Activity Center Agreement.
7) Details of Expenses/Disbursements:
    a) All incoming mail is date stamped and initialed by the office staff. Purchase orders/invoices are approved for payment by the General Manager based on the current budget and explanation provided.
    b) After the General Manager's approval, the Bookkeeper will enter

the invoices and print a check for signature(s). Two signatures are required for checks over $1200. Five people are authorized to sign HPPOA checks: the General Manager, Board President, Board Vice President, Board Treasurer, and Board Secretary.

   c) $800.00 petty cash is held onsite for cash reimbursements and annual road fees change. A locked cash box is stored in a secure vault.

8) Bank & Credit Card Reconciliations:
   a) The monthly bank account and credit card statements are entered and reconciled by the bookkeeper. Credit card receipts are attached to the credit card statements and all documents are filed in fiscal year binders and stored in a secure location. Receipts are retained for ten (10) years.
   b) The GM must approve each credit card charge from other card holders and a BOD officer must approve any GM credit card charge.

9) Payroll:
   a) HPPOA currently uses an outside company (Taketa, Iwata, Hara & Associates LLC) for processing payroll. Maintenance crew hours are reviewed by the Road Superintendent and the admin staff hours are reviewed by the General Manager. Hours are distinguished between Road and Non-Road hours for Accounting purposes. Completed and approved timesheets are then forwarded electronically for processing via Suralink and employees are paid bi-weekly. The bookkeeper enters the payroll liabilities from the downloaded and printed payroll reports and files all paperwork and timecards to the fiscal year Payroll binders.
   b) The General Manager enters new hire employee information, including pay rate, into Suralink. Payroll legal forms (W4s, I9s, etc.) are administered by the General Manager and filed in the employee personnel file, which is kept in a locked file cabinet. Any updates or changes to an employee pay rate or status are handled by the General Manager and he/she provides the necessary documentation to the payroll company. Review of wage entries and payroll changes is performed by the Treasurer.
   c) If there are any terminations or voluntary separations, a termination letter is processed and filed in the employee's personnel file and the payroll company is immediately notified to process the final paycheck and paperwork.
   d) Voluntary Separations receive their final paycheck on the regular payroll date.

10) Details of other Accounting Activity:
   a) Estimating the Allowance for Doubtful Accounts and Bad Debt Expense:
      i) Past due account receivable balances are reviewed by the bookkeeper/office staff after reminder billings are sent out in June. Past due account balances are written off based on legal notification or, in the rare instance, that management has deemed uncollectible. The evaluation of allowance for doubtful accounts is completed by management and is based on lien position, history, and communication with the owner.
      ii) A year end entry may be made based on the recommendation of HPPOA's Auditors.

b) General Ledger
    i) Cash payments are to be recorded the day received.
    ii) The Bookkeeper will reconcile all general ledger accounts for accuracy each month including all bank accounts.
    iii) All reconciliations will be reviewed and approved by the BOD Treasurer at least once a quarter.
    iv) The General Manager reviews the monthly financial statements in detail and compares the balances in expense accounts to budgeted amounts. Any material differences from expectations are investigated and explained.

11) Financial Close and Reporting:
    a) Monthly financials and reports are reviewed by the General Manager, Board of Directors, and the Finance Committee.
12) IT Environment:
    a) Pacific Pro Tech is our current IT management company, responsible for our intrusion detection, network health monitoring, and disaster recovery. The server is located on-site in a secure vault. Pacific Pro Tech has set up the system to automatically back up HPPOA's data every day.
    b) HPPOA office staff have separate logins.

Responsibilities: The Treasurer and General Manager will review this policy annually and refer to the Policies and Procedures Committee for necessary changes.

Review:

This policy shall be reviewed Annually for any improvements or updates to HPPOA Bylaws (Aug 25) Article VIII Sec 9, HPPOA Bylaws (Aug 25) Article IX Sec 5, HPPOA Bylaws (Aug 25) Article XI, HPPOA Bylaws (Aug 25) Article XII Sec 3