

## **LCHF Protocol Manual**

## 1. Business Model

### A. [Mission](#)

To lock arms in philanthropy with homebuilders, financial institutions, and the general public for the purpose of devising and facilitating ways in which to abolish homelessness and substandard living nationwide.

### B. [Goal](#)

To substantially support other nonprofit, tax exempt, Internal Revenue Code Section 501(c)(3) public benefit organizations that provide assistance to the homeless and or underprivileged.

### C. [Objective](#)

To generate considerable funding through the use of re-conveyance financing whereby the party purchasing a participating home would furnish a nominal fee, currently 1/20<sup>th</sup> of 1% of the gross sales price of the property, thereby turning their new place of residence into a perpetual source of income for the less fortunate.

## 2. Board of Directors

### A. [Members](#)

LCHF's Board of Directors ("Board") is comprised of nine, fully qualified individuals, the majority of which is entirely independent of Lennar. The LCHF Board is composed of professionals with business, law, government, and non-profit backgrounds.

### B. [Meetings](#)

Typically, Board Meetings are held bi-monthly to discuss any information and updates about the general operation of LCHF. The LCHF schedule is presented to the Board for the following year, at the last board meeting of the current year. All meetings are held at the LCHF corporate office located at 25 Enterprise, Aliso Viejo, CA 92656. Minutes of each Board Meeting must be signed and filed with the corporate records.

### C. [Objectives](#)

Working closely with the LCHF associates, the Board is responsible for the overall guidance, direction, and fiduciary oversight of LCHF.

### D. [Voting Policies](#)

The Board has final authority to vote on all elected business operations, including, but not limited to: approving charities for eligibility and funding, voting board members on and off of the Board, audit expenses, electing members on and off of a committee, approving division project builds, et al.

The Board has three authorized means of voting, which include: 1) voting in person, during a Board Meeting, or any other meeting whereas the majority of the Board are present, 2) voting electronically via an authorized e-mail address, and 3) voting through facsimile via an authorized voting ballot.

## 3. Audit Committee

### A. [Members](#)

LCHF's Audit Committee is comprised of three, fully qualified, individuals. The LCHF Audit Committee is composed of professionals with accounting and non-profit backgrounds.

**B. [Meetings](#)**

Typically, Audit Committee Meetings are held semi-annually, or as otherwise scheduled, to discuss information and updates regarding the financial aspects of LCHF as they pertain to all compliance and regulatory requirements set forth by the Generally Accepted Accounting Principals (“GAAP”). All meetings are held at the LCHF corporate office located at 25 Enterprise, Aliso Viejo, CA 92656. Summaries of each Audit Committee Meeting are kept and filed with the corporate records.

**C. [Objectives](#)**

The Audit Committee is in place to ensure that the overall financial, compliance, and regulatory requirements of LCHF, as outlined in the LCHF Charter, are consistently being met.

**D. [Voting Policies](#)**

The Audit Committee, established as an advisory committee to the Board, has no voting rights.

**4. Investment Committee****A. [Members](#)**

LCHF’s Investment Committee is comprised of two, fully qualified, individuals. The LCHF Investment Committee is composed of professionals with accounting and investment banking backgrounds.

**B. [Meetings](#)**

Investment Committee Meetings are held semi-annually, or as otherwise scheduled, to discuss information and updates pertaining to the financial investing and money management of LCHF. All meetings are held at the LCHF corporate office located at 25 Enterprise, Aliso Viejo, CA 92656. Summaries of each Investment Committee Meeting are kept and filed with the corporate records.

**C. [Objectives](#)**

The Investment Committee is in place to ensure that the overall financial investment goals and money management practices, as outlined in the Charter, are consistently being met.

**D. [Voting Policies](#)**

The Investment Committee, established as an advisory committee to the Board, has no voting rights.

**5. Review Committee****A. [Members](#)**

LCHF’s Review Committee is comprised of two, fully qualified, individuals. The LCHF review Committee is composed of professionals with legal and non-profit backgrounds.

**B. [Meetings](#)**

Review Committee Meetings are held annually, or as otherwise scheduled, to discuss information and updates with regards to the Opportunity Fund (“Opportunity Fund”) requests furnished, by divisions, to LCHF. All meetings are held at the LCHF corporate office located at 25 Enterprise, Aliso Viejo, CA 92656. Summaries of each Review Committee Meeting are kept and filed with the corporate records.

### C. [Objectives](#)

The Review Committee is in place to ensure that all of the guidelines and policies pertaining to the use of the Opportunity Fund, as outlined in the Protocol Manual, are consistently being met.

*Note: (See section 10.C of the LCHF Policies and Procedures Manual).*

### D. [Voting Policies](#)

The Review Committee, established as an advisory committee to the Board, has no voting rights.

## 6. Charity Application Process

### A. [Purpose/Objectives](#)

The Charity Application Process is the actual process that LCHF follows to review all required documents necessary to approve or deny a charity's request for eligibility. The required information consists of the following:

- Completed Request for Assistance Application & Cover Letter (1 original , 1 copy) - **online**
- Copy of IRS Letter of Determination verifying 501(c)(3) status & most current IRS No Change Letter
- Narrative describing the organization's mission, history, objectives, programs, and services
- Board of Directors Roster
- Copy of a Strategic Plan or Business Plan
- Letters of support from local elected officials and/or community leaders
- Current financial statements, current year budget, project budget, and management letter from most recent audit if available
- Copy of Insurance policy
- Additional information as deemed necessary
- Supporting construction plans and/or documentation

Subsequent to the receipt of all required documents, the LCHF Executive Director makes a recommendation to the Board whether to approve or deny the eligibility and or funding of that charity.

*Note: The Board is the sole entity that has the authority to approve or deny the eligibility and or funding of an organization.*

## 7. Divisions

The Divisions are trained and given tools, so that all of the associates representing the Division are able to educate the new homeowners about LCHF. The sales associates are also responsible to ensure that the title and escrow companies working on the sales transaction have all of the documents needed in order for the new homeowner to pay the Endowment Fee.

The Divisions are required to send LCHF closing reports, or closing statements.

## 8. Homebuilder Division President

### A. [Responsibilities/Objectives](#)

The Homebuilder Division President ("Division President"), or a Lennar designee, is responsible for recommending Charity Applications and Funding Requests to LCHF. Charity Applications are approved or denied by the Board, however, the Division President has the discretion, within the Division, to determine which Applications are submitted to LCHF for consideration.

**9. LCHF Liaison**

A. [Responsibilities/Objectives](#)

The LCHF Liaison (“Liaison”) is a designated associate within the Division office that assists in facilitating and sharing information between LCHF and other tax-exempt, non-profit 501(c)(3) public benefit corporations. Liaisons are the point persons for LCHF to contact with any information and/or questions. The objective of the Liaison communication and reporting structure is to empower each Liaison with a greater understanding of the LCHF program, enabling each Liaison to become more of an asset to his or her Division with regards to LCHF. The Liaison also makes recommendations to the Division President pertaining to the disbursement of LCHF funds and the selection of charitable organizations.

**10. Basis of Revenue – Endowment Fee**

Upon each escrow closing on a participating property, an endowment fee totaling 1/20<sup>th</sup> of 1% of the gross sales price of the home is collected from the buyer, on an original sale, or buyer and or seller, on a resale. This is accomplished using a transfer fee agreement and lien, which creates an “annuity in perpetuity” and ensures future funding for homeless organizations.

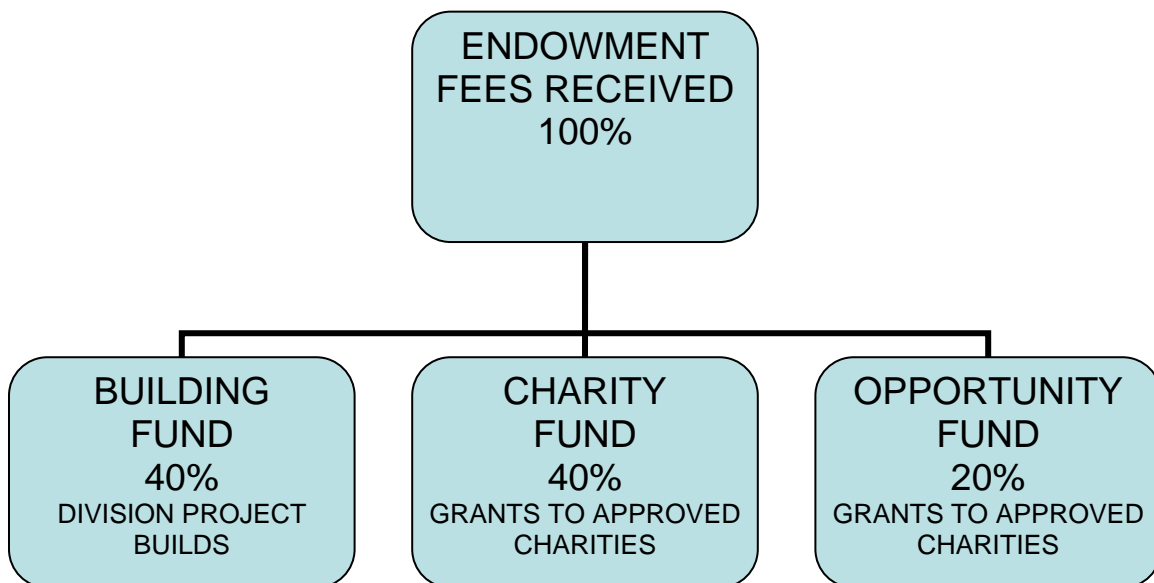
On any resale transaction where a buyer purchases using a governmental loan, the agreement will be binding and the seller will be required to pay the fee.

**11. Community Contributions Fund Splitting – 40/40/20**

Lennar Charitable Housing Foundation (LCHF) distributes community payments received via the transfer fee agreement, and other sources of revenue, to other housing related, tax-exempt, non-profit 501(c)(3) public benefit charities.

Currently three distinct funds exist, and are discussed in detail below.

Note: Funds not used in a calendar year may be rolled over to the following year.



**A. Building Fund:**

*(40% of the total funds collected through Lennar community contributions)* – Applies only to Lennar, whereas other builder community contributions are divided into an 80/20 split, with 80% of the funds going into the Charity Fund, and 20% of the funds going into the Opportunity Fund.

- To become eligible for funding, Lennar Associates, acting as Liaisons between LCHF and the benefiting charities, furnish to LCHF a Building Fund Request which states that the charity would like to apply for the monies in this fund, as well as a Request for Assistance Application (RAA) along with all supporting documentation.
- LCHF staff reviews this information prior to submitting it to the LCHF Board for final approval.
- Through LCHF Board Resolution, a unanimous vote must be obtained for a charity to become approved.
- If approved, an approval letter is sent to the charity serving to notify the organization of its status, with a copy going to the Lennar division.
- After approval, the Lennar division requests the charity to furnish a plan that outlines the type of project, estimated cost, available funds, and construction schedule, all of which serves to help guide LCHF's Board in making disbursement decisions.
- Requests are evaluated on an as-needed basis, subject to available build funds and completed application process.
- These funds will be distributed on an as needed basis. Funds are used by the charity for direct building costs (Construction related activities). The distributed funds are leveraged one to one by builder overhead and in-kind donations of labor, materials, and consulting services from Lennar's trade partners.
- Upon receiving payment, the beneficiary is to sign a check receipt and a Reporting & Follow-up Agreement Form which are both to be returned to LCHF, by the HB Division Liaison within one week of receiving funds.
- Following the LCHF schedule, the charity furnishes a "Use & Impact of Funds Summary" to LCHF.
- The charity is required to match the grant dollar for dollar. (example: \$50K matched with \$50K)
- One charity may be selected for each division, each year, subject to available funding.

**B. Charity Fund:**

*(40% of the total funds collected through Lennar community contributions, and 80% of the total funds collected through other builder community contributions)* – Applies to Lennar and other builders.

- To become eligible for funding, Lennar Associates (or other builder associates, when pertaining to other builders) acting as Liaisons between LCHF and the benefiting charities, as well as associates of other participating builders, will furnish to LCHF a Request for Assistance Application (RAA) along with all supporting documentation.
- LCHF staff reviews this information prior to submitting it to the LCHF Board for final approval.
- Through LCHF Board Resolution, a unanimous vote must be obtained for charity approval.
- If approved, an approval letter is sent to the charity serving to notify the organization of its status, with a copy going to the Lennar division, or appropriate other builder.
- After approval, the divisions and other builders make a check request to LCHF, subject to available funds, on behalf of the designated charity. (Check requests will be evaluated quarterly – refer to the Quarterly Funding Schedule for deadlines)
- These funds, once approved, are distributed from the Charity Fund's prior quarter funds, on the nearest future distribution date. All distributions will follow a quarterly, calendar, schedule. Funds are used by the charity for general, project, and other expenses, as outlined in the Charity Agreement.
- Upon receiving payment, the beneficiary is to sign a check receipt and a Reporting & Follow-up Agreement Form which are both to be returned to LCHF, by the HB Division Liaison within one week of receiving funds.
- Following the LCHF schedule, the charity furnishes a "Use & Impact of Funds Summary" to LCHF.
- The charity is not required to match the grant.
- Multiple charities may be selected for each division, each year.

**C. Opportunity Fund:**

(20% of the total funds collected through Lennar and other builder community contributions) – Applies to Lennar and other builders. This fund is governed solely by the LCHF Board.

- The LCHF Review Committee reviews qualified charity applicants, evaluates each charity, and makes recommendations to the LCHF Board.
- Through LCHF Board Resolution, a unanimous vote must be obtained for a charity to become approved.
- If approved, an approval letter is sent to the charity to notify the organization; the appropriate Lennar divisions, and other builders are notified.
- No check request is submitted, as all recipients of the Opportunity Fund will receive distributions at the time of each disbursement.
- All distributions will follow a quarterly schedule (Refer to the Quarterly Funding Schedule for dates). Funds are used by the charity for expenses related to fulfilling its mission.
- Upon receiving payment, the beneficiary is to sign a check receipt and a Reporting & Follow-up Agreement Form which are both to be returned to LCHF, by the HB Division Liaison within one week of receiving funds.
- Following the LCHF schedule, the charity furnishes a “Use & Impact of Funds Summary” to LCHF.
- The charity is not required to match the grant.
- Multiple charities may be selected each year.

**12. Legal Documents****A. [Recorded Agreements](#)**

A Charitable Housing Agreement (“CHA”) Imposing Endowment Fee on Transfer is made between LCHF, and the builder. This CHA is a permanent contract that is attached to the real property, which creates a perpetual source of income. The transfer of title is the action that initiates the Endowment Fee.

**B. [Preliminary Title Reports and Title Reports](#)**

The information directing attention to the CHA can be located on the Preliminary Title Report and the Title Report. The CHA explains the legal obligation of all parties involved and the processes that need to take place for the Endowment Fee to be paid.

**13. Charity Eligibility Approval****A. [Charity Selection](#)**

If a Division would like to select a charity to be approved for eligibility, that charity must meet certain criteria. To qualify for assistance as an LCHF eligible charity, that organization must be/have:

- A 501 (c)(3) Non Profit Corporation;
- A mission to assist those with housing-related needs: Those who can and want to be rehabilitated and become independent, but need assistance to accomplish that goal;
- Strong community and political support;
- A good track record of enabling clients to attain a stable lifestyle and obtain long-term independent housing;
- Operational funding in place to support client programs;
- Capital funding available or the capability to raise the necessary funding to ensure completion of the project (as applicable).

*Note: (These are minimum requirements; others might apply in specific situations).*

#### B. [Request for Assistance Application](#)

The first step that a charitable organization needs to take, in order to become eligible, is to submit a RAA followed by the appropriate documentation. This RAA is available for download from the [www.lCHF.org](http://www.lCHF.org) website under the "Division Login Information" page. The RAA is not made available to the general public as LCHF would like the Divisions to have discretion over which charities apply for eligibility. The RAA, and all of the supporting documentation that is outlined in the RAA, are submitted to the Division, care of the Liaison.

#### C. [Site Visit](#)

The Liaison will conduct a physical site visit of the charity, or the charity's project(s). This site visit should be conducted no later than 30 days after the Liaison receives the RAA. The site visit will allow the Liaison the opportunity to personally meet with the charity staff and representative(s) of the Board of Directors from the charity. The ten levels of assessment listed under the Executive Summary section, outlined below, should help to guide the focus of the site visit and the areas that need to be observed.

#### D. [Executive Summary](#)

The purpose of the Executive Summary is to capture the ten levels of assessment that are observed at the site visit in a one-page summary, for the Board to review. The ten levels of assessment that should be observed are:

- Face-to-Face Meeting
- Clients
- Staff
- Community Support
- Political Support
- Financial Condition
- Neighborhood Support
- Board of Directors Health
- Legal Issues
- Overall Assessment

Subsequent to the Liaison and the Division President reviewing the RAA and supporting documentation, a site visit is conducted. The person whom conducts the site visit is in charge of drafting the Executive Summary. If someone other than the Liaison drafts the Executive Summary, the Liaison must review the draft to verify that it is correct and complete. All of the aforementioned paperwork is to be sent to LCHF located at 25 Enterprise, Aliso Viejo, CA 92656.

#### E. [Board Written Consent](#)

Once LCHF receives and reviews a charity's paperwork, a written consent form is sent to the Board via e-mail, along with the Executive Summary. The Board is then afforded the opportunity to approve or deny eligibility for the charity by noting "approved" or "disapproved" in one of three ways: 1) by signing a Board Written Consent Form ("Written Consent") in person, 2) by signing and faxing the Written Consent to LCHF on an authorized Voting Ballot ("Voting Ballot"), or 3) by e-mailing his or her approval to LCHF from an authorized e-mail address.

#### F. [Period of Eligibility](#)

Upon approval of eligibility from the Board, a charity is eligible for funding for a period of 12 months from the date of approved eligibility.

#### G. [Re-applying Process](#)

Once approved, a charity has an eligibility period of 12 months. In order to maintain that active eligible status, the charity must re-apply, so that the eligibility period can be extended for an additional 12 months. The charity needs to send a general notice of their re-submittal via an e-mail or a letter to the Liaison or Division President. The charity will then need to send physical copies of anything that has changed within the organization over the past 12 months, which may include, but is not limited to: updated financial statements, an updated Board of Directors list, updated mission statement, etc. Regardless, a new site visit must be conducted, and a new Executive Summary must be drafted.

### 14. Charity Funding Approval

#### A. [Funds Available](#)

Every quarter, prior to funding, LCHF uploads a Financial Matrix to the [www.lCHF.org](http://www.lCHF.org) website. This Financial Matrix shows the amount of funds that are available for disbursement within each Division, as well as other financial data necessary to manage those funds. Additionally, the funds are tabulated and split into two 40% and one 20% disbursement categories.

*Note: (See further description under section 8 'Community Contributions Fund Splitting' of the LCHF Policies and Procedures Manual).*

#### B. [Funding Request](#)

LCHF maintains an updated Funding Request ("Funding Request") form that is accessible on the [www.lCHF.org](http://www.lCHF.org) website under the "Division Information Login" page. The Funding Request form is in place for the Division to request funds for eligible charities. This form should be printed, filled out, signed by the Division President, and sent to LCHF.

#### C. [Board Voting Ballot](#)

After LCHF has received the funding request form, a Voting Ballot is generated. The Voting Ballot includes the recipient charity's name, the funding request amount, and the community(ies) from which the funds have been collected. All Board members must sign the Voting Ballot and indicate his or her vote with a check or "x" mark, to approve or deny the requested amount.

#### D. [Check Receipts](#)

After the Board has approved the Funding Request, via the Voting Ballot, a check is generated from LCHF and sent to the Liaison. Grant recipients are required to pick up the check in person, either at the Division's office or another specified location. An LCHF Check Receipt needs to be signed by the grant recipient after the check has been presented to the charity. The Check Receipt can be obtained on [www.lCHF.org](http://www.lCHF.org) website under the "Division Information Login" page. The original Check Receipt needs to be sent to LCHF located at 25 Enterprise, Aliso Viejo, CA 92656 to be kept in the charity's file. A copy of the Check Receipt must be maintained by the Liaison at the Division.

#### E. [Charity Agreements](#)

After receiving the Check Receipt, a Charity Agreement is drafted.

The Charity Agreement holds the charity accountable to use the funds as described in the RAA submitted by the charity and requires a summary of the use and impact of the funds.

Two copies of the Charity Agreement are sent to the charity. The charity must sign both copies and return one of them to LCHF. The Charity Agreement is a binding contract between LCHF, and the grant recipient. The summaries need to be submitted by the charity twice, once at six months from the date of the funds being granted, and a second time at 12 months from the date of the funds being granted.

## 15. Events

### A. [Check Presentation Parties](#)

A check presentation party should be scheduled as each community phase closes out. Check presentation parties do not need to occur in order to disburse a check to the charitable organization.

These check presentations happen at the discretion of the Division, and are an opportunity to invite and bring together the homeowners from the community, as well as the charities that have received funding through the program. A large faux check must be filled out and on display for all in attendance to see. The charities, or grant recipients, are given an opportunity to thank the homeowners and let them know how the funds are being used. This is also a chance to connect the community with charitable organizations in their area that assist the homeless.

### B. [Timing](#)

Check disbursements are made quarterly based upon the predetermined dates listed on the Approval & Distribution Schedule. It is at the discretion of the Division whether to submit a funding request

## 16. Tracking Sales

### A. [Title](#)

When a sale occurs, defined as transfer of title and exchange of money, the title company handling the transaction is responsible to ensure that the endowment fee is electronically wired to LCHF. The escrow company is responsible for submitting a Settlement Statement U.S. Department of Housing and Urban Development OMB Approval No. 2502-0265, or a form HUD-1 ("HUD-1"), to LCHF that includes several pieces of pertinent information.

On a resale, the buyer and seller are jointly and severally obligated to ensure that the endowment fee is paid. On an original sale, it is the buyer's sole responsibility. Although the above mentions that the title company is responsible, it is considered a professional business obligation, not a legal requirement for the title company.

### B. [Endowment Fee Waived](#)

*Note: Veterans Administration ("VA") = Government loans offered to those who meet eligibility criteria with regards to military service.*

*Note: California Veterans ("CalVet") = The state of California provides these loans to those veterans who choose to live in California. These loans are offered to those veterans who meet specified criteria.*

#### Original Sales:

The endowment fee shall be waived upon original closing of each home in which the buyer utilizes a VA or CalVet loan. If this is not met, the endowment fee becomes the sole responsibility of the buyer.

#### Resales:

On resales, unless a VA or CalVet loan is used, the endowment fee responsibility becomes a negotiable item between the buyer and seller. In the instance where a VA or CalVet loan is used, on a resale, the seller is responsible for paying the fee.

#### Foreclosure Sales:

The endowment fee shall be waived when the lender forecloses upon the encumbered property. Should the lender subsequently sell said property, the endowment fee responsibility then becomes a negotiable item between the buyer and the seller (in this case the lender).

Trustees Sales:

The endowment fee shall be waived upon the sale of an encumbered property in which the seller is a trustee. All subsequent sales are subject to the endowment fee unless one or more of the abovementioned stipulations are met.

C. [Bank Transfers](#)

The title company or escrow company handling the transaction is responsible to ensure that the Endowment Fee is electronically wired to LCHF. Lennar's treasury department runs a daily report and e-mails the results to LCHF at the [lchf@lennar.com](mailto:lchf@lennar.com) address. This occurs so that the information can be entered and reconciled when the wires are received from the title companies.

**17. Tracking Resales**

*Note: Resale is defined as any sale that takes place subsequent to the original sale.*

*Note: Gross Sales Price is defined as the gross amount due from the borrower for the sale of the home, as stated in line 101 (Contract sales price) of the HUD-1.*

A. [Title & Escrow](#)

The information about the Endowment Fee, and how to start the process of paying the Endowment Fee, is located on the Preliminary Title Report and on the Title Report. The Endowment Fee is listed under the different categories as an exception. After looking at the Preliminary Title Report, or the Title Report, the escrow officer would contact LCHF and request a demand letter. From the information included on the demand letter, the Endowment Fee can be paid.

The request for a demand letter comes from the escrow company; however, either the escrow company or the title company may wire the Endowment Fee to LCHF upon the close of escrow. When a title is transferred on a property and the Resale closes, the title company or the escrow company handling the transaction is responsible to ensure that the Endowment Fee is electronically wired to the LCHF bank account.

The escrow company is also responsible for submitting a HUD-1 to LCHF that includes several pieces of pertinent information for tracking the Resale. The following information is required: the property's full legal description, the property's full address, the property's tract number, the property's lot number, the seller's full name, the buyer's full name, the title company's name, the escrow company's name, the escrow company's address, the escrow company's phone number, the escrow company's facsimile number, the escrow number, and the sales price.

B. [Resale Collection](#)

LCHF requests a reconciled Resales Report ("Resales Report") from North American Title Company ("NAT") on, or around, the first business day of every month. LCHF receives the said report from NAT on, or around, the 15<sup>th</sup> business day of every month. The information is then reconciled against LCHF's records, and then used to: a) update the receivables account, and b) send out quarterly collection letters for outstanding receivables.

In the event a home has been resold without the Endowment Fee being paid by the homeowner, LCHF will send a copy of the deed – accompanied by a cover letter stating that said unpaid fee is owed to LCHF – to the homeowner (hereinafter referred to as a Resale Letter). Resale Letters shall be sent out on a quarterly basis to outstanding accounts for a period of 12 months.

C. [Receivables](#)

In order to account for uncollected Resale income, said income is recognized as a receivable. A receivable is recognized once LCHF is notified of its status as an uncollected Endowment Fee via the Resale Report from NAT. LCHF shall make an adjusting entry for uncollected Resale income in an expense account named

“Allowance for Doubtful Accounts” in the event said fee is not paid within 12 months of being recognized as a receivable.

## 18. Transaction Records

### A. [Form HUD-1 Documents](#)

The title company handling the home sale or resale transaction is responsible for sending a copy of the form HUD-1 to LCHF. The information that is included on the form HUD-1 is compared to the information that is submitted to LCHF on the Division closing reports, and the bank wire transfers, for purposes of reconciliation and crosschecking.

### B. [Division Closing Reports](#)

Divisions are required to send LCHF closing reports, or closing statements, which help to confirm that all home sales transactions were recorded between LCHF and the title company. Each Division has the discretion to send these closing reports, or closing statements, on either a weekly or monthly basis.

## 19. Accounting

### A. [Purpose](#)

To clarify and communicate the organization’s financial procedures and to implement a standardized process of financial operations. This protocol is a dynamic document and may be updated as the need arises throughout business operations. Any updates will be discussed with, and ratified by, the Board, per recommendations from the audit committee.

### B. [Structure](#)

Lennar Charitable Housing Foundation (LCHF) is officially recognized as a 501 (c)(3) Non Profit Organization by the Internal Revenue Service (IRS). LCHF’s internal controls and accounting practices operate under the guidelines of the Generally Accepted Accounting Principles (GAAP). LCHF operates on an accrual basis accounting system, structured upon the Calendar Year accounting system, which begins on January 1 of every year.

## 20. Accounting Reconciliation

### A. [Monthly Reconciliations](#)

LCHF uses the Financial Matrix, along with the Division closing statements, and the bank wire transfer records to reconcile the accounting records. This accounting reconciliation happens every other month, before each Board meeting, so that the Financial Matrix reflects the most current records.

## 21. Reporting

### A. [Charity Use & Impact of Funds Reporting](#)

The Charity Agreement holds the charity accountable to use the funds as described in the RAA submitted by the charity and requires a summary of the use. The summary needs to be submitted by the charity twice, once at six months from the date of the funds being granted, and a second time at 12 months from the date of the funds being granted. There is a 30-day grace period for each of the two due dates.

The information included in each charity summary that is submitted to LCHF is used for the “Our Grants” web page on the [www.lCHF.org](http://www.lCHF.org) website. This web page is designed to inform the general public on the use and impact of the funds that LCHF has granted to approved charities. The abovementioned charity summaries depict the usage and results of the funds received by each organization.

**B. [Division's Role](#)**

It is the Divisions sole responsibility to supply closing reports, or closing statements to LCHF at 25 Enterprise, Aliso Viejo CA 92656. This may be completed weekly or monthly at the discretion of the division. It is then the title company's responsibility to ensure that the endowment fee has successfully been wired to LCHF. Lennar's treasury department will run a daily report of wires received by LCHF, once the report is generated, a copy will be submitted to LCHF for recording purposes.

**C. [Financial Matrix](#)**

The financial matrix is updated every other month for review by the LCHF Board of Directors, which is then published for public viewing online at [www.lchf.org](http://www.lchf.org). In addition to the financial matrix, the Executive Director must approve any and all information pertaining to LCHF's operating costs and expenses.

**D. [Annual Reports](#)**

The Executive Director will present the annual report to the Board of Directors as soon as the annual report is received by LCHF, from the independent auditor. This report will include but is not limited to, a balance sheet, an updated financial matrix, a list of charities requesting to be approved for eligibility, upcoming LCHF events, growth initiatives, and any other information pertaining to the financial wellbeing of LCHF.

**E. [Statement Preceding Fiscal Year](#)**

Upon the end of the fiscal year, LCHF will reconcile the preceding budget that states the estimated expenses and income of LCHF in the last fiscal year. The purpose of the reconciled budget is to reflect the actual expenses and income generated by LCHF in contrast to the estimated figures. The Audit Committee will review the budget comparisons on a regular basis, as needed. The Board of Directors shall review the reconciled budget in the first quarter of the new fiscal year.

**22. Budgeting**

At the conclusion of the fiscal year, a budget is to be compiled by LCHF for the next fiscal year. The budget format should include:

- Projected Incomes
- Budgeted Grants
- Operational Expenses, Salaries, etc.
- Build Projects and Initiatives
- Expansion Projections for LCHF
- Projected Closings per Division

The budget shall be approved by the Board of Directors at the first board meeting of the new fiscal year. If the Executive Director deems it necessary to re-allocate between budget categories, or if activities are to be undertaken that require entering into financial obligation not yet covered by an active budget, the Executive Director will consult with the Board of Directors.

**23. Financial Policies & Procedures**

All invoices received by LCHF must be authorized before payment can be made. The Executive Director is authorized as the primary invoice signer for LCHF. If the Executive Director is not available, the LCHF President, LCHF CFO, and LCHF Treasurer of the board function as alternate signers.

LCHF's primary source of income is from the CHA Imposing Endowment Fee on Transfer that is made between LCHF and the builder. Typically, the endowment fee is paid through wire on original sales and through checks on resales. Copies of all wire transfers and checks are kept on file with each home record. Other sources of income exist that are typically paid with check. Copies of these checks are kept on file for record-keeping purposes.

In the case that a cash contribution is made, the cash needs to be taken to a bank, deposited, and converted into a money order or cashier's check. The Executive Director is the sole person authorized to handle the cash conversion with the bank. If the contribution is made in person, the person(s) or organization(s) making the cash contribution will receive a receipt acknowledging the contribution. If the contribution is sent to LCHF via mail, then a copy of the money order or cashier's check would be sent back to the donor as the receipt.

As a minimum, the Executive Director shall ensure that:

- A. All funds listed in the financial matrix are true and correct.
- B. All financial operations and protocol are audited by a 3<sup>rd</sup> party, Board approved auditor on an annual basis
- C. All grants and/or disbursements of funds must be signed by two of the four authorized check signers, who are the President, CFO, Secretary, and Assistant Secretary of LCHF.

The Executive Director shall ensure that the finances of LCHF are managed and administered in accordance with the GAAP principles. In case of conflict or ambiguity the financial protocol listed in this manual shall prevail.

## 24. Cash Disbursements

### A. [Invoice Signing Authority for Expenses](#)

All invoices that are received by LCHF must be authorized before payment can be made. The Executive Director is authorized as the primary invoice signer for LCHF expenses, with no dollar limit, provided that the expenses align with that of the most current budget. If the Executive Director is not available to sign for an invoice, the four Board Officers ("Officers") function as alternate signers.

### B. [Check Signing Authority for Grants](#)

The Officers: President, CFO, Secretary, and Assistant Secretary, have authorization to sign all checks that are submitted by LCHF to grant recipients. One of the four Officers is required to sign for every check that is disbursed to a given charity.

## 25. Cash Receipts

### A. [Other Contributions](#)

LCHF's primary source of income is from the CHA Imposing Endowment Fee on Transfer that is made between LCHF and the builder. Typically, the endowment fee is paid through wire on original sales and through checks on resales. Copies of all wire transfers and checks are kept on file with each home record. Other sources of income exist that are typically paid with check. Copies of these checks are kept on file for record-keeping purposes.

In the case that a cash contribution is made, the cash needs to be taken to a bank, deposited, and converted into a money order or cashier's check. The Executive Director is the sole person authorized to handle the cash conversion with the bank. If the contribution is made in person, the person(s) or organization(s) making the cash contribution will receive a receipt acknowledging the contribution. If the contribution is sent to LCHF via mail, then a copy of the money order or cashier's check would be sent back to the donor as the receipt.

## 26. Document Retention

### A. [Invoice Copies](#)

All invoices received by LCHF that have been approved by management and paid, are copied and kept on file for record-keeping purposes.

### B. [Check Copies](#)

All checks that are written by LCHF are separated from the attached check stub, which is kept on file with LCHF. The check stubs are maintained with all other accounting records for record-keeping purposes.

## 27. LCHF Staff Members

### A. [General Staff Reference](#)

Some LCHF staff members are managed by LCHF, as Lennar Corporation associates that are designated by Lennar Corporation to spend 100% of the staff member's paid time working with LCHF. Therefore, all payroll items are processed through Lennar Corporation, adhering to the established policies and procedures of the Lennar Corporation Associate Reference Guide ("Associate Reference Guide"). Although Lennar Corporation financially supports the LCHF staff members; they are qualified as LCHF staff members.

Some LCHF staff members are independent contractors that file 1099. These staff members operate under unique contracts with LCHF, according to the agreement that is signed by that staff member and LCHF. LCHF is billed by the staff member, for the services provided from the staff member on a monthly basis.

Some LCHF staff members are employees. These staff members operate under LCHF, according to both the LCHF Employee Manual and the offer letter that is signed by that staff member and LCHF. These staff members are paid on a semi-monthly basis for hours worked.

Other than LCHF staff members who are independent contractors, and LCHF staff members who are contracted through a staffing agency, all items pertaining to LCHF staff employment practices, benefits, leaves of absence, and all other LCHF staff-related policies and guidelines are outlined in the LCHF Employee Manual. All other LCHF staff members who are independent contractors and LCHF staff members who are contracted through a staffing agency adhere to the contract as written between said staff member and LCHF.