

Eastern Connecticut Association of REALTORS®

FINANCIAL POLICIES



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TABLE OF CONTENTS

Access to Records by Members 1

Access to Records by Staff 1

Accounting Computer File Back-Up Procedure 1

Accounting Method 1

Accounting Practices 1

 Amortization 1

 Capitalization Cutoff Points..... 2

 Deferred Revenues 2

 Depreciation 2

 Donated Property 2

 Endowment Funds 2

 Fixed Assets 2

 Inventory Valuations..... 3

 Leasehold Improvements 3

 Leases..... 3

 Permanently Restricted Net Assets 3

 Prepaid Expenses 3

 Repairs and Improvements 3

 Temporarily Restricted Net Assets 3

 Unrestricted Net Assets..... 3

Accounts Receivable Write-Off Procedures and Authority (Bad Debts Procedures) 4

Association Audits 4

Bank Reconciliations 5

Bid Requirements..... 5

Bonding of Employees..... 5

Budgeting 5

Chart of Accounts 5

Check Disbursements..... 5

Check Endorsement/Stamp 6

Check Signers 6

Collection Procedures 6

Computer Passwords..... 6

Conference Room Rental..... 7

Contract Signing Authority..... 7

Contributions..... 7

Control Over Checks and Cash..... 7

CPA Firms **Error! Bookmark not defined.**

Credit Cards 8

Data Processing Manual 8

Date-Received Stamp..... 8

Federal Identification Number 8

Finance Charges..... 8

Financial Statement Preparation and Distribution 9

Independent Contractors 9

Insurance 9

Internal Audit 9

Investment Policy..... 9

IRS Forms 9

Journal Entries..... 10

Loans Prohibited	10
Lobbying Expenditures	10
Logo	10
Mandatory Vacations/Leave	10
Nonsufficient Funds Checks	10
Paid Stamp	10
Payroll	101
Petty Cash Fund Disbursements	111
Public Access to Records	11
Purchase Orders	11
Quid Pro Quo Contributions	11
Records Retention and Destruction	112
Refunds	112
Segregation of Duties	122
Taking Work Home	122
Telephone Expenses	12
Time Sheets	12
Travel Expenses	12
Unrelated Business Income Tax (UBIT)	122
Voided Checks	12
Write-off of Old Checks	12
Specific Financial Policies Adopted by the Board of Directors	13

FINANCIAL POLICIES

The Board of Directors of the Association shall authorize all expenditures of funds. The Finance Committee is responsible for insuring that the financial affairs of ECAR are administered effectively and with fiscal integrity, and that the financial directives of the Board of Directors are implemented. The Finance Committee shall have fiscal oversight responsibility for the associations' financial affairs and reports to the Board of Directors.

The Finance Committee for the Association shall, prior to the end of each fiscal year, prepare and recommend a budget to the Board of Directors for approval, reflecting projected costs and expenses of the Association for the next fiscal year, indicating projected income from all sources. The Board of Directors shall not impose on the Association any expenditure more than the total appropriated in the approved annual budget unless the expenditure has first been reviewed by the Finance Committee of the Association. (10/20/11)

Access to Records by Members

Members may inspect the following records of the Association:

1. IRS Form 990
2. Original applications for tax-exempt status
3. Audited financial statements
4. Monthly income statements and balance sheets

Access to Records by Staff

The Chief Executive Officer and the Member Services Director shall be the only staff members to have access to accounting records.

Accounting Computer File Back-Up Procedure

A computer file back-up system for accounting records shall be maintained as follows:

At the end of each business day, accounting computer files will be backed up on the network server. Once a week accounting computer files will be backed up with two copies of data. The employee will take the server copy of the back up with him/her and return the back up on the day of the next weekly backup. A second copy of the accounting files will be backed up manually by the Member Services Director.

Accounting Method

The Association shall use the accrual basis of accounting which reports revenues and expenditures as they are incurred.

Accounting Practices

Amortization

Leasehold improvements exceeding \$1,000 shall be individually amortized over the remaining length of the lease term. Fully amortized leasehold improvements will be taken off the Association's statement of financial position.

See the Capitalization Cutoff Point Policy in this manual.

Capitalization Cutoff Points

The Association shall expense assets in the period purchased if these assets cost \$500 or less individually.

Assets costing in excess of \$500 individually will be capitalized and depreciated in accordance with the Association's depreciation policies.

Repairs and improvements to real property and leasehold improvements will be capitalized if they cost in excess of \$1,000 individually.

Deferred Revenues

Revenues that have not been earned for the fiscal year will be included with deferred revenues on the financial statements and recorded as revenue when earned.

Depreciation

Fixed assets other than real property and electronic equipment will be depreciated using the straight line method over a 10-year period.

Real property will be depreciated using the straight line method over a 30-year period.

Electronic equipment will be depreciated using the straight line method over a 5-year period.

Capitalized repairs and improvements will be depreciated using the straight line method based on an analysis of the time the repair or improvement is expected to improve the property.

Fully depreciated fixed assets will remain on the Association's statement of financial position until they are disposed of or otherwise deemed worthless.

Assets will be capitalized in accordance with the Association's capitalization cutoff point policy.

Donated Property

The value of donated property shall be recorded among the fixed assets of the Association if the value of the property exceeds the Association's capitalization cut-off point in accordance with the following guidelines:

Value	Policy
Under \$500	Item will not be capitalized.
\$500–\$2,500	Capitalize in accordance with value stated in contributor's letter.
Over \$2,500	Capitalize in accordance with appraised value.

Accounting treatment: Increase the value of fixed assets, and credit the revenue account Donated Property.

Endowment Funds

Endowment funds shall be included with permanently restricted net assets on the Association's statement of financial position.

See the Permanently Restricted Net Assets section of this manual.

Fixed Assets

Detailed subsidiary records of fixed assets and reserve for depreciation shall be maintained and periodically compared with fixed assets on hand.

Inventory Valuations

The Association shall use the First-in, First-out (FIFO) method of inventory valuation.

The unit cost will be computed by adding freight costs and insurance on shipping expenses to the actual cost of the inventory, and dividing this dollar amount by the number of units purchased.

Leasehold Improvements

The Association shall capitalize leasehold improvements costing \$1,000 or more. Expenditures under this amount will be considered ordinary repairs and expensed in the period paid. Capitalized leasehold improvements will be amortized over the remaining lease term.

See the Amortization Policy and Repairs and Improvements Policy included in this manual.

Leases

The Association shall record leases as either capital leases or operating leases in the financial records, based on appropriate qualification criteria.

Permanently Restricted Net Assets

The Association shall add all permanently restricted net assets together for statement of financial position presentation. A separate statement of activity for permanently restricted net assets will be included with the financial statements.

See the Endowment Fund Policy in this manual.

Prepaid Expenses

The Association shall treat payments of expenses that have a time-sensitive future benefit as prepaid expenses on the financial records and to expense them in the proper period.

Records of prepaid expenses will be maintained by the Member Services Director and will be budgeted for accordingly.

Repairs and Improvements

The Association shall capitalize repairs and improvements to fixed assets or real property owned by the Association if the repairs or improvements cost more than \$1,000 individually. Repairs or improvements of \$1,000 or less will be expensed in the period paid.

Depreciation of capitalized repairs and improvements will be based on an analysis of how long the repair or improvement is expected to improve or extend the useful life of the property.

See the Capitalization Policy and Leasehold Improvement Policy included in this manual.

Temporarily Restricted Net Assets

The Association shall add all temporarily restricted net assets together for statement of financial position presentation. A separate Statement of Activity for Temporarily Restricted Net Assets will be included with the financial statements.

Unrestricted Net Assets

The Association shall include board-designated funds with unrestricted net assets on the Statement of Financial Position. A supplemental Statement of Board-Designated Funds Activity will be distributed with the financial statements.

Accounts Receivable Write-Off Procedures and Authority (Bad Debts Procedures)

All available means of collecting accounts receivable (see Collection Procedures Policy) shall have been exhausted before write-off procedures are initiated.

If a receivable is deemed uncollectible, the following approvals are required before write-off implementation:

Amount	Individual
\$500 or less	Chief Executive Officer
More than \$500	ECAR Board of Directors

Once a write off has been implemented, further credit is not allowed. A master list of bad accounts will be maintained and the customer will be added to the list.

Customers listed as poor credit risks will be extended future credit only if the back debt, plus accrued interest, is paid and the customer has successfully completed a 90-day cash on delivery (COD) probation period.

A listing of all write offs for the current month should be included with the monthly financial statements.

Association Audits

Selection of Firm

When requested by the Board of Directors, the Association shall contract with the CPA firm selected to audit the Association.

The Finance Committee, with the assistance of the Chief Executive Officer, will interview a minimum of three CPA firms specializing in auditing not-for-profit organizations and make a recommendation to the Board of Directors for final selection. Re-awarding the contract for auditing services to the existing auditing firm is acceptable as long as the interview and selection criteria clearly indicate the firm is the most qualified and cost effective.

Additionally, the contract awarding the audit to the CPA firm will have a clause allowing the Association to contract with another firm before the end of the contract period if the current firm provides unsatisfactory service or if the financial condition of the Association prohibits the expense of a full audit.

The Engagement Letter

The Board of Directors shall review the draft of the CPA engagement letter before it is signed and before the audit commences to ensure it covers matters important to management.

Board approval is required before the President, Treasurer, the Chief Executive Officer is given authority to sign the document.

The Management Letter

The Chief Executive Officer shall discuss the CPA management letter with representatives of the auditing firm and to direct staff as to the appropriate action required to correct deficiencies addressed.

Distribution of the management letter to individuals or firms other than those entitled to a copy by contractual obligation is left to the discretion of the Chief Executive Officer.

Bank Reconciliations

Bank statements shall be addressed to the Chief Executive Officer, who will do an initial review of checks that cleared during the prior month.

Within 24 hours, the Chief Executive Officer will forward the bank statement to the staff accountant responsible for bank reconciliations. This individual cannot be a check signer. The staff accountant will answer any questions posed by the Chief Executive Officer and prepare the bank reconciliation within 72 hours.

The CPA firm shall do unannounced checks for bank reconciliations.

Bid Requirements

Unless a product or service is unique to one vendor or purchase from one vendor is required, the Association shall require bids for the following expenditures:

Printing	Three requests for bids are required for all printing expenditures exceeding \$1,000.
Capital Purchases	Three requests for bids are required for all capital purchases exceeding \$5,000.
Inventory Purchase	Three requests for bids-are required for all inventory purchases exceeding \$5,000.
Professional Services	Professional services, including CPA firms and law firms, will be evaluated at the request of the Finance Committee, and requests for proposals will be prepared and sent to qualified firms in the same field.
Other	Three requests for bids are required for all other expenses exceeding \$5,000.

The decision to approve a vendor will be made by the Board of Directors if the bid exceeds \$5,000. The Association shall grant authority to the Chief Executive Officer to approve of vendors, products or services \$5,000 or under, as long as the financial implications of the contract are included in the Association's budget.

If the financial implication of approving a vendor is not included in the Association's budget, Board of Directors' approval is required before authority to approve of vendors is granted.

Bonding of Employees

The Association shall bond all employees involved in the financial functions of the Association and to annually review the adequacy of the bond.

Budgeting

Please refer to the ECAR bylaws for budget procedures.

Chart of Accounts

The Association shall maintain a chart of accounts. All employees involved with accounting coding responsibilities or budgetary responsibilities will be issued a chart of accounts, and the chart of accounts must be updated on a routine basis.

Check Disbursements

The Association shall keep unused check supplies safeguarded under lock and key. Only the Member Services Director is authorized to prepare checks. If the Member Services Director is not available for an extended period of time (i.e. vacation or sickness) the Chief Executive Officer is authorized to prepare checks.

All check disbursements will require invoices or expense vouchers approved by the Chief Executive Officer.

Signed checks that have not been mailed or distributed will be put under lock and key at the end of each day.

Signing of checks in advance is prohibited unless authorized by the Board of Directors.

Checks made payable to the Association may not be cashed. The bank shall be informed about this policy.

Checks payable to “Cash” are prohibited.

Check Endorsement/Stamp

The Association shall endorse checks with a stamp(s) with the following information:

For Deposit Only Full Association Name Bank Name Account Number
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Check Signers

The Association shall give check-signing authority to the following positions:

- Chief Executive Officer
- President
- President Elect
- Secretary
- Treasurer

Checks issued for payment of the Association’s debts will require two signatures of individuals not associated with incurring the debt, except that only one signature shall be required for checks of \$500 or less.

Additionally, individuals involved with check preparation are prohibited from having check-signing authority.

Bank records shall be periodically checked as to authorized signers on signature cards.

Collection Procedures

The Association shall complete customer orders and forward an invoice with the merchandise. If not paid in full at the time of purchase or service, an invoice will be sent immediately following completion of the order.

Thirty days after the date of the original invoice, a past due invoice will be mailed to the Member.

If 60 days have elapsed without payment, a third notice is sent to the Member with a copy to the Designated REALTOR® that the Member may be suspended from membership in the Eastern Connecticut Association of REALTORS® until service charges or fees are paid in full, including late charges authorized by the Board of Directors (see Finance Charges section).

Ultimately, the Designated REALTOR® is responsible for the payment of all fees, charges, or fines imposed on the Member affiliated with the Designated REALTOR®.

Computer Passwords

The Association shall assign unique computer passwords to each individual who has access to the computer system.

Passwords of terminated employees will be canceled immediately.

All passwords will be changed at least annually.

A master record of employee passwords will be maintained by the Chief Executive Officer.

Conference Room Rental

See Policy Manual

Contract Signing Authority

The Association shall grant authority to sign contracts to the Chief Executive Officer, as long as the financial implications of the contract are included in the Association's budget.

If the financial implication of signing a contract is not included in the Association's budget, Board of Directors' approval is required before authority to sign the contract is granted.

Contributions

The Association shall send thank you letters on the Association's letterhead acknowledging all contributions, regardless of the amount. The letters will indicate the dollar amount contributed. See the Quid Pro Quo Contribution section of this manual.

Control Over Checks and Cash

All incoming mail will be imprinted with a date-received stamp.

Mail and walk-in check and cash receipts will be received and opened by the receptionist. Checks and cash received will be noted on the Daily Checks & Cash Received Log Form, which will include the date, the name of the payer, the date of the check, the amount of the check, and the purpose for the receipt. Checks will be endorsed before they are given to the Member Services Director. Once the checks have been recorded and the log signed by the receptionist, the checks and the original log will be personally delivered to the Member Services Director, who will sign for checks received. The electronic deposit receipt, along with the log will be retained for five years or until an audit is conducted, whichever is earlier. All checks received will be deposited promptly, but no later than the next banking day.

Cash receipts must be accompanied by a written record of the reason for the payment and shall be deposited intact.

CPA Firm

Pursuant to the Bid Requirements section, CPA firms will be evaluated at the request of the Finance Committee, and requests for proposals will be prepared and sent to qualified firms in the same field.

The Finance Committee shall recommend the CPA firm and submit the engagement letter to the Board of Directors for approval.

In addition to the annual review of the financial statements, the CPA firm engaged to prepare the annual Organization Exempt Form Income Tax, Forms 990 & 990-T for the Association will also prepare the annual Organization Exempt Form Income Tax, Form 990, for the Eastern Connecticut Association of Realtors Charitable Fund, Inc. for the year ending. The CPA Firm will assist, on a monthly basis, in the preparation of the financial statements and entries required to account for the investment account activity.

Independent Accountant Prepared Financial Statements

The Chief Executive Officer shall distribute the independent accountant prepared financial statements to the Board of Directors and to organizations entitled to receive a copy because of contractual agreement. The

decision to publish the statements or otherwise make them available to the membership will be made by the board at its meeting following the issuance of the statements.

The authority to distribute the statements to other individuals or firms requesting them will be left to the discretion of the Chief Executive Officer.

The review will begin on or about February 15 of each year following the close of the year end cycle with a report issued no later than April 15. Tax returns will be completed no later than May 15 of each year after the close of the accounting cycle.

The accounting firm shall notify the Chief Executive Officer of any changes to accounting rules that might effect Financial Policies so the Board of Directors can address necessary changes.

Credit Cards

The Association may issue credit cards to the following individuals:

- Chief Executive Officer
- Member Services Director

Individuals incurring expenses via credit cards will submit a record each transaction provided by the vendor as soon as possible, but in no event, more than seven (7) days after the transaction.

Data Processing Manual

The Association shall develop and keep current a data processing or office procedures manual that details all data processing procedures, including tasks involving data input, computer files, coding formats, and output reports.

Date-Received Stamp

All correspondence received, including invoices, shall be stamped with a date-received stamp.

Federal Identification Number

The Association's Federal Identification Number shall be printed on its invoices, statements, purchase orders, and any other document that may trigger a customer's request for this information.

Finance Charges

There is a one and one-half (1.5%) percent per month charge on all late (over 30 days past due) charges of any kind throughout the year except for payment of dues, in which case the late charge is \$50, assessed 31 days after the due date. Charges continue until official written notice, fax or email has been received by the office to drop the member/licensee. Phone calls from offices or members to drop will be accepted, however, a follow up letter or email must be received within 30 days or charges will resume. To avoid charges for an additional month, written notices of drops (from the office) must be received prior to 3:00 p.m. on the last business day of the month. Dues are never refunded.

Financial Statement Preparation and Distribution

The Association shall prepare and distribute monthly financial statements that will include the Statement of Financial Position and the Statement of Activity. These statements will be prepared within 10 working days after the close of the month.

The statements will be distributed to the Board of Directors, the Finance Committee, and the Chief Executive Officer.

Independent Contractors

The Association shall evaluate criteria established by the IRS when assigning individual employee or independent contractor status. Individuals qualifying as independent contractors will sign an Independent Contractor Agreement and will be issued IRS Form 1099 if compensation is \$600 or more.

Insurance

The Association shall have an independent insurance consultant review the Association's insurance policies to ensure coverage and limitations adequately meet the needs of the Association, members, and employees.

Internal Audit

The Association shall conduct random internal audits in accordance with the directions given by the Association's independent auditing firm. Audit results will be distributed to the the Chief Executive Officer and the independent auditing firm for advisement and corrective action, if necessary.

Investment Policy

The Association shall maintain an operating reserve of a minimum of one year of operating expenses, which shall be invested in accounts of federally insured financial institutions and U.S. Government Bonds. (7/15/08)

All excess monies over the one year of operating expense may be invested according to the Adopted Investment Policy.

The decision to invest cash in approved investments must be made jointly by the Chief Executive Officer and the Board of Directors or Board approved designee.

The investment balances shown in the accounting system shall be compared monthly to statements received by the Chief Executive Officer.

Income from investments shall be recorded on a monthly basis.

IRS Forms

Form 990

The Association shall allow public access to IRS Form 990.

This access will be provided at the Association's headquarters at a time mutually agreeable between the Association and the individual requesting the inspection. Requests for copies of Form 990 may be denied, and Form 990 will not be mailed under any circumstance without the approval of the Chief Executive Officer. A Log of Form 990 Inspections and Distributions will be maintained.

See the Public and Member Access to Records sections of this manual.

Form 990-T

The Association shall deny requests to inspect IRS Form 990-T because it is confidential information.

See the Unrelated Business Income Tax section of this manual.

Form 1099

The Association shall complete IRS Form 1099 for all individuals and vendors receiving \$600 or more from the Association.

Vendor Federal Identification Numbers will be maintained.

See the Independent Contractors Policy included in this manual.

Journal Entries

All journal entries shall be approved by the Chief Executive Officer.

Loans Prohibited

The Association shall prohibit loans to employees and members under all circumstances.

Lobbying Expenditures

The Association shall advise members of the nondeductible portion of their dues payments by indicating the nondeductible percentage in the Association's newsletter (annually), in membership brochures, and in membership renewal forms.

Logo

The Association shall include the Association's logo on all financial forms used by the Association, wherever possible.

Mandatory Vacations/Leave

See Personnel Policy Manual.

Nonsufficient Funds Checks

The Association shall include checks returned by the bank because of nonsufficient funds in the accounts receivable, nonsufficient funds account in the accounting records.

If the checks in question are eligible for redeposit, the subsequent deposit will reduce the receivable account accordingly.

If the checks in question are prohibited from redeposit, the Association's Bad Debts Policy will be implemented.

Paid Stamp

The Association shall alter each invoice with a "PAID" stamp, as follows:

PAID
Date _____

The check stub which includes the check number and the check amount shall be attached to the altered invoice.

Payroll

Hours worked shall be calculated by the Member Services Director and submitted to ADP. The payroll report prepared by ADP shall be approved by the Chief Executive Officer before checks are disbursed to staff.

Petty Cash Fund Disbursements

The Association shall maintain a petty cash fund of no more than \$200.

It is the responsibility of the Chief Executive Officer and that person's designee to ensure that the petty cash fund is under lock and key at all times.

Disbursements from the petty cash fund may only be made for approved expenditures. A receipt must accompany every disbursement. The receipt must be signed by the person receiving the cash and the person disbursing the cash.

The petty cash fund will be replenished as needed and at the end of every month. The petty cash fund replenishment check will be made out to the individual primarily responsible for maintaining the fund, with the word "agent" following that person's name. The expenses will be reviewed and the resulting check will be signed by two other responsible parties.

Public Access to Records

The Association shall allow the public access to Form 990.

This access will be at the Association's headquarters at a mutually agreed upon time.

A responsible employee of the Association will remain in the presence of the individual(s) requesting access to this information. Individuals will be allowed a reasonable amount of time to review the form, but access to copying machines and the like may be denied.

The original of Form 990 will remain at the Association's headquarters without exception.

See Form 990 Policy included in this manual.

Purchase Orders

The Association shall use a purchase order system. Signed purchase orders will be required for all obligations for goods and services exceeding \$100.

Purchase orders will be printed as needed, and must be signed by the Chief Executive Officer or Member Services Director prior to purchase.

See Bid Requirement Policy.

Quid Pro Quo Contributions

The Association shall inform contributors in writing of a good faith estimate of the nondeductible portion of any quid pro quo contributions made for any fundraising activity of the organization if the contribution exceeds \$75 individually.

Records Retention and Destruction

The Association shall retain records as required by law and to destroy them when appropriate. Please refer to the ECAR Policy Manual.

Refunds

The Association shall publish the Association's Refund Policy on order forms, invoices, dues statements, and so forth.

Refund for dues is prohibited, unless approved by the Board of Directors.

Refunds issued will reduce the corresponding revenue account accordingly.

Segregation of Duties

The Association shall work with the Association's independent CPA firm to ensure adequate segregation of duties exist. Suggestions on improving controls through duty segregation will be given serious consideration, and employees will be required to participate in the interest of both the Association and the employee.

Taking Work Home

The Association shall allow employees to remove from the office documents and files over night only with the permission of the Chief Executive Officer. Additionally, only copies of irreplaceable documents should be taken from the office.

Telephone Expenses

Employees are required to reimburse the Association for personal telephone calls.

Time Sheets

It is the policy of the Association that all employees complete and sign time sheets for every pay period. Paychecks will not be distributed until time sheets have been submitted and approved by the Chief Executive Officer.

Employees will note accurately all regular hours, overtime, and leave hours.

Travel Expenses

See Travel Policy.

Unrelated Business Income Tax (UBIT)

The Association shall pay UBIT on the excess of revenues over expenses on taxable activities. These activities will be clearly classified and designated in the financial records to provide adequate documentation in the event of an IRS audit.

The Association will file IRS Form 990-T to report unrelated activities. Form 990-T is considered confidential and is not available for public inspection.

See Form 990-T Policy in this manual.

Voided Checks

If voided checks are physically available, they will be stamped "VOID" and filed in the Association's Accounts Payable File.

Any stop-payment orders will be filed in the Association's bank account file.

Write-off of Old Checks

The Association shall make every attempt possible to contact the payees of outstanding checks that have failed to clear the bank.

Checks that have been outstanding in excess of the amount provided for by state law will be handled in accordance with applicable state escheat or unclaimed property law.

Specific Financial Policies Adopted by the Board of Directors

It was moved, seconded and carried to establish a policy of charging members that do not order a meal \$35.00 for membership meeting attendance. (12/13/?)

It was moved, seconded and carried to establish a policy of charging a 20% surcharge, rounded to the nearest dollar, for those making membership meeting reservations after the published deadline, space permitting. (12/13/01)

It was moved, seconded and carried to approve a continuing education certificate replacement fee of \$10 up to April 30 and \$25 after May 1, in even numbered years effective January 1, 2002. (12/13/01)

It was moved, seconded and carried that a credit or refund for an education course would only be given under “extreme extenuating circumstances” (e.g. death in the immediate family, car accident etc.) The Chief Executive Officer will make the decision regarding the circumstances; to be sure that it is in fact a valid excuse. (12/13/01)