Democrats Abroad China Financial Procedures

21 November 2017

The Executive Committee Democrats Abroad China Country Committee ( “DACN”) adopts these financial procedures pursuant to the Bylaws with effect from 24 September 2017.

The latest version of this document is dated 21 November 2017.

1. OVERVIEW AND CONTENTS

These procedures establish a DACN Virtual Trust Account operated as a trust by James H. Spear, Jr. (“Spear”) and his company The Brickyard Retreat (“the Brickyard”) and enumerate how the account shall be administered. Procedures for recording donations, tracking activity proceeds, advances and petty cash, financial reporting, budgeting, information access and security, and auditing are also specified.

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2. AMENDMENTS AND LATEST VERSION

These procedures may be amended by the Executive Committee, and the Secretary shall be responsible for recording the amendments, emailing copies of the amended procedures to James H. Spear, Jr. (“Spear”), and retaining an up-to-date document of the entire procedures.

3. DACN VIRTUAL TRUST ACCOUNT

3.1 DACN entrusts Spear and his company, the Brickyard Retreat (“the Brickyard”), to set up and administer an account to be maintained as a virtual account under the Brickyard’s accounts payable. No interest shall be accrued. The funds received shall not be counted as the Brickyard’s revenue.

3.2 The funds are held in trust by the Brickyard for DACN.

3.3 Spear and the Brickyard represent and warrant that the service of holding funds in trust for DACN is considered a personal activity conducted for Spear, as one of the Brickyard owners, as a no-charge courtesy. Spear and the Brickyard further represent and warrant that the Brickyard is not engaging in any business or political activity by providing this virtual account service to Spear. Spear personally guarantees all deposits that are made to the DACN Virtual Trust Account and will replace any funds that are not removed from the account according to the financial procedures set forth herein.

3.4 Spear represents to DACN that he has confirmed with professional accountants that this activity is in congruence with accounting regulations governing the Brickyard. In case of any official finding otherwise, Spear agrees that he shall be personally responsible for bringing the Brickyard into compliance and ensuring the integrity of DACN funds.

3.5 DACN may, at its sole option, close out the DACN Virtual Trust Account at any time. In order to close the DACN Virtual Trust Account, the DACN Executive Committee shall vote to close it and then an official email instructing closure of the account shall be sent from the Chair to the Brickyard with copies to DACN’s Secretary, Treasurer, and Legal Counsel.

Closing notice shall be to Spear at jim.spear@chinaboundltd.com and shall include instructions for disbursement of final balance and transfer of online and hardcopy records. Notice sent to Spear at the designated address shall constitute notice to the Brickyard. Spear and the Brickyard shall disburse the full final balance and transfer all records according to DACN’s instructions within 5 working days of the date that the notice is sent.

3.6 Upon DACN Executive Committee’s two thirds vote to establish the DACN’s Financial Procedures, DACN’s Secretary will send a copy of these procedures to Spear via email. Spear will send a reply email confirming receipt of the DACN’s Financial Procedures and this confirmation email shall constitute acceptance of and agreement to all provisions herein and shall bind both Spear and the Brickyard to the terms herein for the DACN Virtual Trust Account and it administration.

4. DEPOSITS TO DACN VIRTUAL TRUST ACCOUNT

4.1 Deposits will be by WeChat to the Brickyard, bank transfer to the Brickyard, or cash to the Brickyard, and transfers from other accounts owned/controlled by Spear.

4.2 All deposits will be in Chinese Renminbi (“RMB”) or, if deposits are in a different currency, recorded in RMB in the amount actually received.

5. DISBURSEMENTS TO DACN VIRTUAL TRUST ACCOUNT

5.1 Except as provided in Paragraph 13 herein, Spear and The Brickyard shall disburse funds only to DACN Executive Committee members.

5.2 Unless Spear is providing replacement funds pursuant to Paragraph 3.3 above, all disbursements shall be by WeChat from the Brickyard, bank transfer from the Brickyard, or cash from the Brickyard.

5.3 All disbursements will be in RMB.

6. DEPOSIT DOCUMENTATION

6.1 All deposits need to be associated with, and documented by, an email to jim.spear@chinaboundltd.com with a copy to the Brickyard’s Finance Manager in the following format:

From: Jim Spear (jim.spear@chinaboundltd.com) or Elizabeth Jenkins (artfulactivist@gmail.com)

To: jim.spear@chinaboundltd.com

cc: yujie.zhang@schoolhousehotels.com, Aaron Kruse (dacn-chair@democratsabroad.org), Elizabeth Jenkins (dacn-secretary@democratsabroad.org), Jim Spear (dacn-treasurer@democratsabroad.org

Subject: DA China Deposit: Rmb Amount — Description

Text: Short explanation documenting the deposit and referencing/attaching substantiating documentation . DACN’s Treasurer shall determine what documentation is required to sufficiently identify each deposit.

6.2 Addressees and email addresses are subject to modification. All DACN Executive Committee members will keep Spear apprised of modifications to their email addresses, the DACN Secretary will advise Spear in writing of any changes in the composition of the Executive Committee, Spear will advise all DACN Executive Committee members of the name and address of the Brickyard’s Finance Manager and promptly provide them with updated information in the event of any change to that information, and Spear will advise and provide updates to all DACN Executive Committee members regarding his own email address and any other contact information that they may need in order to make deposits to or obtain disbursements from the DACN Virtual Trust Account.

6.3 The Brickyard’s Finance Manager will monitor the Brickyard’s accounts and record deposits actually received AND substantiated by appropriate email. She or he shall confirm deposits actually received by a reply-to-all email.

6.4 The Brickyard’s Finance Manager shall print out each email and retain it in a hardcopy file called DACN Deposits.

7. DISBURSEMENT DOCUMENTATION

7.1 All disbursements need to be associated with and documented by an email to [jim.spear@chinaboundltd.com](mailto:jim.spear@chinaboundltd.com) with copy to the Brickyard’s Finance Manager in the following format:

From: Jim Spear (jim.spear@chinaboundltd.com) or Elizabeth Jenkins (artfulactivist@gmail.com)

To: jim.spear@chinaboundltd.com

cc: yujie.zhang@schoolhousehotels.com, Aaron Kruse (dacn-chair@democratsabroad.org), Elizabeth Jenkins ([dacn-secretary@democratsabroad.org](mailto:dacn-secretary@democratsabroad.org)), Jim Spear (dacn-treasurer@democratsabroad.org

Subject: DA China Disbursement: RMB Amount — Description

Text: Short explanation documenting the disbursement and referencing/attaching substantiating documentation. DACN’s Treasurer shall determine what documentation is required to sufficiently identify each disbursement.

7.2 Addressees and email addresses are subject to modification. All DACN Executive Committee members will keep Spear apprised of modifications to their email addresses, the DACN Secretary will advise Spear in writing of any changes in the composition of the DACN Executive Committee, Spear will advise all DACN Executive Committee members of the name and address of the Brickyard’s Finance Manager and promptly provide them with updated information in the event of any change to that information, and Spear will advise and provide updates to all DACN Executive Committee members regarding his own email address and any other contact information that they may need in order to make deposits to or obtain disbursements from the DACN VirtualTrust Account.

7.3 The Brickyard’s Finance Manager shall make and record disbursements substantiated by appropriate email and will also confirm the transaction when done by a reply-to-all email.

7.4 The Brickyard’s Finance Manager shall print out each email and retain it in a hardcopy file called DACN Disbursements.

8. DACN DONATION DOCUMENTATION

8.1 The Google sheet contains a page for the DACN Secretary and/or the DACN Treasurer to record donations to DACN in order to be compliant with DA regulations and US laws requiring donations only from USA citizens/organizations.

8.2 DACN may establish more detailed rules for receiving donations and for reporting on same to DA.

8.3 Prior to recognizing a donation in cash or in-kind, the donation documentation must be entered. In the case of cash donations, an appropriate email must be issued before the funds can be recorded in the DACN Virtual Trust Account.

9. ACTIVITY NET PROCEEDS DOCUMENTATION

9.1 In accordance with Federal Election Commission rules, DACN may, from time to time, conduct membership activities that generate proceeds for the organization.

9.2 The DACN Secretary shall enter the relevant data to substantiate the activity in order to be compliant with its rules and those of DA and US law. Once this data is recorded, the DACN Secretary may arrange funds to be sent to DACN Virtual Trust Account via appropriate email.

10. GOODS INVENTORY

10.1 The DACN Secretary shall maintain inventory of goods held by DACN and substantiate inventory transactions and locations with hard copies of relevant emails and receipts.

10.2 Goods include, but are not limited to, apparel, marketing materials, pop-up banners, printed materials, gift packages, and any other items purchased or received by DACN.

10.3 Costs are recorded and fully expensed when goods are received

10.4 Sales revenues are recorded directly as activity proceeds or as part of an event’s proceeds or activity proceeds are recorded and handled as per procedure.

10.5 Goods issued without proceeds (e.g. to members, volunteers, for prizes, etc,) must also be recorded as such in the Proceeds column so inventory is up to date.

11. THE BRICKYARD WECHAT ACCOUNT

11.1 The DACN Virtual Trust Account may receive funds via the Brickyard’s WeChat account.

11.2 The Brickyard’s Finance Manager shall coordinate WeChat instructions with the DACN Executive Committee, which shall determine when and how to use this procedure. Copies of all instructions, relevant documents, emails, etc. shall be sent to Spear and the Brickyard’s Finance Manager. Transfer records shall indicate: To DACN.

12. THE BRICKYARD’S BANK OF CHINA RMB ACCOUNT

12.1 The Brickyard’s RMB account with the Bank of China may receive and disburse funds for the DACN Virtual Trust Account.

12.2 The Brickyard’s Finance Manager shall coordinate bank transfer instructions with the DACN Executive Committee, which shall determine when and how to use this procedure. Copies of all transfers shall be sent to Jim Spear and the Brickyard’s Finance Manager. Transfer notices shall indicate: From/To DACN.

13. ADVANCES AND PETTY CASH

13.1 Upon joint instructions, in writing, by the Chair and Vice Chair, the Secretary or Treasurer shall advance funds from the DACN Virtual Trust Account to designated DACN members or designated individuals and organizations.

13.2 The DACN Executive Committee may authorize one or more petty cash accounts to be treated as advances to a member in order to support activities of DACN.

13.3 In cases where members have self-funded cash for legitimate DACN activities, the Chair and Vice Chair may jointly authorize such cash to be counted as donations. Such authorization shall be in writing and the DACN Secretary shall record required data.

13.4 Advances shall be managed by the DACN Secretary and actual expenses and receipts recorded as disbursements or deposits to the DACN Virtual Trust Account. Net amounts remaining or beyond the advances shall be timely returned to the DACN Virtual Trust Account.

14. ANNUAL FINANCIAL REPORTING

14.1 The DACN Treasurer shall report at the Annual General Meeting (“AGM”) on the actual receipts and disbursements for the prior calendar year and the current year to date.

14.2 Annual Financial Reports shall be accepted by a majority vote of those attending the AGM.

15. ANNUAL BUDGETING

15.1 The DACN Treasurer shall consult with the DACN Leadership Board to develop an annual budget plan for the current and next calendar year to be reviewed and reported on at the AGM.

Hence, in 2017, the budget will be for the period through December 2018. The next budget should be completed prior to the 2018 AGM and cover the period through December 2019.

15.2 Budgets shall be maintained in an online Google document with execution tracked monthly by the DACN Treasurer.

15.3 Budgets shall be approved by a majority vote of the entire DACN Leadership Board.

16. ACCESS TO INFORMATION & DATA SECURITY

16.1 Google documents may be edited by the DACN Treasurer and DACN Secretary and viewed by all members of the DACN Leadership Board.

16.2 The Google documents are owned by the DACN Treasurer and the treasurer shall transfer ownership if instructed to so, in writing, by the Chair, after a majority vote of the DACN Leadership Board.

16.3 The Google document settings restrict editors and viewers from issuing invitations and from downloading, printing, and copying in order to ensure document integrity and confidentiality.

16.4 Google documents provide a historical tracking function for audit trail.

16.5 In China, Google access requires use of a VPN. The DACN Treasurer shall invite DACN Leadership Board members’ individual account addresses to these documents upon receipt of written request by and instructions from each member of the DACN Leadership Board.

16.6 Current financial reports and budgets shall be posted online in PDF and/or presentation format as determined and instructed by the DACN Secretary and DACN Director of Communications and Information Technology.

17. AUDITING

The DACN Executive Committee may, at its option and upon a majority vote, appoint an outside accounting agency to audit the DACN Virtual Trust Account and Financial Records on a pro bono basis. The DACN Secretary and DACN Treasurer and any other authorized administrators shall make available all online records and physical records to the auditors.

18. MAXIMUM FUNDS IN DACN VIRTUAL TRUST ACCOUNT

18. 1 The total amount of deposits to the DACN Virtual Trust Account may not exceed 130,000 RMB.

18.2 If the total amount of deposits to the DACN Virtual Trust Account reaches 130,000 RMB or the Executive Committee determines that DACN’s funds will exceed the 130,000 RMB, then the Executive Committee shall decide via majority vote whether to amend Paragraph 18.1 herein to raise the total amount of deposits to the DACN Virtual Trust Account.

19. COMPLIANCE WITH FEDERAL ELECTION COMMISSION RULES

19.1 Prior to conducting any transactions, the DACN Treasurer shall review the Federal Election Commission (“FEC”) rules supplied by DA’s International Legal Counsel in their entirety and bring any questions that he or she has to DACN Legal Counsel.

19.2 DACN Legal Counsel shall promptly advise the DACN Treasurer of any changes to FEC rules of which he or she becomes aware and of any advice that DACN has received from DA International Legal Counsel.

19.3 When effecting transactions, the DACN Treasurer shall exercise his or her best judgment and make his or her best efforts to ensure that all deposits to and disbursements from the DACN Virtual Trust Account are made in accordance with FEC rules. If the DACN Treasurer has any questions about the rules or how they apply to specific transactions, he or she shall consult with the DACN Legal Counsel before deciding how to proceed. DACN Legal Counsel will, in turn, consult with DA’s International Counsel whenever he or she deems it appropriate or necessary to do so.

20. In the event that Spear becomes unable to administer the DACN Virtual Trust Account for any reason, the Brickyard’s Finance Manager shall confer with DACN’s Executive Committee and then follow instructions regarding either continuing to administer the account for or the Brickyard closing the account and disbursing all funds to DACN.