



LEARNING **COMMUNITY** DEMOCRACY **DIRECTION**

DRAFT

FINANCIAL MANUAL

Compass School, Inc.

**The Compass School Financial Manual
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I. ENTITY ORGANIZATION AND PERSONNEL

A. Financial Manual

Compass School will maintain a fiscal manual in order to outline the accounting functions of the organization and detail its policies pertaining to accounting functions and corporate governance issues, as adopted by the Board of Directors.

B. Conflict of Interest

Annually, and more often as required for a specific issue before the board, any member of the Board, officer or employee of the organization will disclose in writing to the Board any possible conflict of interest as required by the organization's conflict of interest policy as outlined in Article IX of the organization's by-laws. In order to regularly and consistently enforce compliance with this policy, the Treasurer will circulate a questionnaire asking for disclosure of any possible conflicts of interest as part of the preparation for the annual review by our accountant in July of each year. Each Board member will complete and sign the questionnaire. **(This allows Part VI Section B questions 12 a – c of the 990 to be answered yes. It will also assist in the completion of Part IV question 28 a –c.) (Question 13 of 990 asks if the organization has a written Whistleblower policy. At this time, I believe the answer is no. Adopting one would allow for another yes answer.)**

C. Generally Accepted Accounting Principles (GAAP)

Except when noted, Compass School follows Generally Accepted Accounting Principles (GAAP) for nonprofit independent schools.

D. Accrual Accounting

Compass School utilizes the accrual basis of accounting in which revenues are recorded in the period in which they are earned and expenses are recorded in the period in which they are incurred regardless of when cash is received or disbursed.

E. Cost Allocation

Compass School develops its cost allocations within its budgeting process. Compass School develops an annual written cost allocation plan to fairly allocate shared costs among the various functions performed by the organization. The cost allocation plan is applied consistently to all programs. It may be revised during the year upon approval of the Executive Director.

F. Restricted Funds

Grants and contracts from grantors who restrict the use of funds are recorded in separate classes during the year. The use of restricted gifts is linked to the purpose specified by the donor/grantor. A separate class is established for each restricted funding source which utilizes line item budgets. Expenses which fulfill the restrictions of the donor/grantor are recorded in that donor/grantor's class. Separate bank accounts are not required for each restricted funding source. Internal financial statements are presented using a class accounting format; year-end audited financial statements are presented on a Net Assets basis, using Unrestricted, Temporarily Restricted, and Permanently Restricted classes of Net Assets in accordance with FASB 117.

I. Budget

The Board of Directors adopts a comprehensive organization-wide budget for each fiscal year. The budget reflects all anticipated revenues from all sources and all anticipated expenses. Board adoption of the budget constitutes authorization for staff to incur budgeted expenses.

J. Financial Statements

The Board receives a balance sheet and statement of revenue and expenses at least quarterly. The statements are presented to the Board by the Board Treasurer, who has reviewed them with the Business Manager and Executive Director. The financial statements facilitate identification of restricted and unrestricted funds and comparison of actual revenues and expenses to budget.

K. Annual Review

1. The Finance Committee will recommend for Board approval independent auditors to perform an annual compilation, review, or audit of the financial records as required by state and federal law or grant agreements. **(This keeps Compass School in compliance with appropriate laws and allows for an appropriate yes answer in Part XI of 990)**
2. The auditor will present complied, reviewed or audited financial statements as required and a management letter directly to the Board each year within six months of the close of the fiscal year.
3. The Board will review the financial statements presented, the management letter, and management's response.

L. Interest Bearing Accounts

Compass School places funds in a money market account whenever practical and permissible by funding source agreements.

M. Treasurer of the Board of Directors

The School's chief financial officer is the Treasurer of the Board of Directors and serves as financial officer of the organization and as chairperson of the finance committee.

- The Treasurer manages, with the finance committee, the Board's review of and action related to the Board's financial responsibilities.
- The Treasurer or his/her assignee works with the Business Manager to ensure that appropriate financial reports are made available to the Board on a timely basis.
- The Treasurer or his/her assignee also prepares the annual budget with the assistance of the Director and the Business Manager. The Treasurer presents the budget to the Board for approval.
- The Treasurer with the Finance Committee reviews the completed annual 990 form as well as completed compilation, review, or audit and reports on this to the full board, and the Treasurer or his/her assignee answers Board members' questions about the compilation, review, or audit.
- The Business Manager reconciles the bank statements on a monthly basis. The Director reviews the reconciliation each month. The Treasurer is responsible for maintaining proper segregation of duties when selecting an assignee.

N. Finance Committee

The Finance Committee's responsibilities are to:

- Propose for Board approval a budget that reflects the organization's goals and Board policies;
- Monitors income, expenditures, and program activities against projections, on a quarterly basis.
- Present quarterly financial statements to the Board;
- Review and recommend financial policies of the Board, including ensuring adequate internal controls and maintaining financial records in accordance with standard accounting practices;
- Review proposed new funding contracts for financial implications, recommending to the Board approval or disapproval;
- Assure that Compass School maintains adequate insurance coverage;
- Recommend to the Board the selection of auditors, review scope of annual compilation, review, or audit and receive and review the compilation, review, or audit.
- Evaluate staff response to management letter, if there is one.
- Assures that the Board as a whole is well-informed about organization finances;
- Review of investment portfolio every six months, if there is one;
- Review the IRS annual form 990 prior to its filing with the Internal Revenue Service.
- Keep minutes of all its meetings

O. Quarterly Financial Reports

Quarterly financial reports are presented to the Board of Directors, detailing all revenue and expenditure activity of the organization. The reports presented should include at a minimum:

- A Statement of Net Assets as of the most recent month-end;
- A Statement of Activities by Grant from the beginning of the fiscal year to the most recent month end indicating remaining Grant Balances;

- A Statement of Activities by Net Asset Category from the beginning of the fiscal year to the most recent month end;
- An Operating Budget to Actual comparison from the beginning of the fiscal year to the most recent month end;
- A Statement of Cash Flows from the beginning of the fiscal year to the most recent month end;
- A listing of the Details of the Pledges Receivable Balances as of the most recent month-end;
- An Account Receivable aging as of the most recent month end; and
- An Accounts Payable aging as of the most recent month end[RG8] .

P. IRS FORM 990 Preparation and Filing

The preparation of the School's IRS Form 990 will be contracted out to the independent accountant. The Director and Business Manager will be responsible for providing the information to the auditor needed to prepare the report within 60 days of the end of the fiscal year June 30. The Director and Business Manager will review the 990 draft. Any changes are communicated to the independent accountants and a revised draft is then forwarded to Board designee. The Board of Directors must approve the IRS Form 990 prior to filing. The returns must be signed by the Board Chairperson or Board Treasurer and are due Nov. 15 with extension possible until May 15.

Q. Public Inspection

Section 6104 of the IRS code requires an organization to make its Forms 1023, 990, and 990-T available for public inspection. The organization makes its governing documents including the conflict of interest policy and financial statements available to the public upon request. Confidential donor information that is allowed by law to be redacted will be at the request of the donor to the extent allowed by law. Copies of these documents will be supplied upon written request and receipt of the allowed reasonable copy charge.

II. BUDGETING PROCESS

A. Budget Information Provided to the Board

Every year the Finance Committee will provide to the Board of Directors the following:

- Historical information of last three years' budgets, including program, fundraising, management and general and capital budgets;
- A detailed budget narrative, including a proposed budget for the following fiscal year presented a minimum of one month before the beginning of the fiscal year.
- The budget will have enough detail to give an accurate projection of revenues and expenses and have separation of capital and operational items;

B. Budget Basis

The Board will approve the annual budget prior to the beginning of the fiscal year. The budget shall be based upon the mission, the Board's priorities, and the organization's long-term plan.

C. Budget Changes

During the fiscal year, any major change of income or expenditure, which would significantly alter the annual plan of operation, will be reflected in a budget revision and approved by the Board of Directors.

III. ACCOUNTING SYSTEM

A. Accounting Software

The School owns one QuickBooks (QB) Premier Accountant Edition Software license. QB is used to process accounts receivable, accounts payable, payroll, and do all general ledger accounting including the production of internal financial statements, grant reports, and budget-to-actual operations reports. Currently, QB is installed on the desktop computer of the Business Manager. The data file is stored in a specific section of the Business Manager's computer to which only the Business Manager has access privileges. The QB data file can only be accessed from one computer, and cannot be accessed remotely. The Treasurer does not have Administrator privileges within QB. The Business Manager has full access privileges to all QB areas.

B. Uniformity and Systems

The accounting system shall be uniform for all programs of the organization. The QB accounting system is based on a double entry system, identifies by source, grant and program all revenue and expenditure items and reflects all of the financial activities of the organization. While the system does not show fund or ending balances these are tracked by exporting QB activity reports to Excel and rolling the balances forward.

C. Review

The Director or his/her assignee will review the all accounts quarterly.

D. General Journal

Within QB, the School will maintain a General Journal for recording adjusting entries, reversing entries, accruals and other financial transactions not normally recorded in the Cash Receipts or Cash Disbursements process of the QB system. Entries in the General Journal must have adequate descriptive memos documenting the reason for the entry and be adequately documented in the appropriate files and records.

E. Cash Receipts

Within QB, the School will maintain a Cash Receipts Record recording all cash receipts. This information will be entered into QB via the Customer payment and/or deposit screens. Each deposit contains at least the following information related to each cash receipt:

- Date
- Source (in the memo field)
- General ledger revenue account number (for Tuition fees, grants, contributions, other income, etc.)
- Program designation/class (General Fund, Hot Meals Fund, Development, and Admin)
- Grant or donor designation/customer:job (Grant-Unrestricted, The Clowes Fund, Annual Fund Donation, etc.) Individual donor names are posted in QB as customers.

F. Cash Disbursements

The School will make all Cash Disbursements for expenditures (i.e., payroll, rent, printing, etc.) via check, credit card, or ACH transactions. These transactions will be posted in QB using general journal entries, the pay bills feature, the write-check, or post credit card transaction features of QB. The Cash Disbursements recorded in QB will contain at least the following information:

- Check number or ACH confirmation number
- Date
- General ledger expense account number
- Program designation/class (General Fund, Hot Meals Fund, Development, and Admin)
- Cash account (credit)
- Description or payee
- Grant or unrestricted designation (customer:job)

Credit card transactions, if any, will be posted individually and the credit card statement reconciled like any other bank statement.

G. Financial Awards

The Admissions Director following the Financial Aid Application Policy approved by the Board of Directors makes Financial Aid Awards. If a student is denied an award and believes that there are extenuating circumstances that should be considered or the Admissions Director believes there are such circumstances present, the Board will review the case and make the final determination. ([Allows a yes answer to 990 Schedule I #1 and assists in the completion of #2 Read section of the 990 to be sure what is written covers the two questions](#))

H. General Ledger

The School will maintain a General Ledger with accounts for all assets, liabilities, net assets, expenditures, and revenues. Separate classes will be maintained for each major program's expenses and revenues.

1. Compass School will maintain a Chart of Accounts that coincides with the expense account titles on federal and state contracts and other grants as needed.

2. Compass School will consistently post transactions that are of a similar nature to the same account.

I. Payroll and Compensation

(The following is a policy that allows Compass School to answer Part VI Section B 15 a & b of the 990 in the affirmative.)

The executive committee determines compensation for all personnel after reviewing comparability data of like positions within the state paid by taxable and non-taxable entities for similar services, review of livable wage data for the county and state, and review of the recommendations of the Director relative to a particular employee's performance and growth.

(Contributes to a yes answer on Part VI, section A 8 b of 990. Other Committees would need to do the same.)

(The following is to address 990 issues and preserve 501(C)(3) status as represented in Compass School's 1023 application)

In order to ensure that there is no private inurement that could jeopardize Compass School's not-for-profit status and to ensure that the School is not competing with other local for profit schools, all compensation will be paid by fixed salary or hourly wage arrangements. Non-fixed payments such as discretionary bonuses or revenue-based payments will only be made at the discretion of the board. No compensation will be based on the financial performance of the School. **(Make sure this meets the representation made in Part V 6 a and b made in the 1023 application.)**

Compass School uses QuickBooks to process its payroll and related payroll taxes on a bi-weekly basis. The Business Manager also makes all monthly and quarterly payroll tax remittances and files all quarterly payroll tax returns. QuickBooks maintains a cumulative payroll earnings record on each of the employees. The payroll record contains the following information about each employee:

- Name
- Social Security number
- W-4 information
- Salary or hourly rate
- Payment record including: gross pay, itemized payroll deductions, etc
- Net pay (by pay period, quarter, and year-to-date)

The Business Manager maintains personnel files that contain:

- Name
- Social Security number
- W-4 and other authorized deductions
- Salary or hourly rate
- Eligibility for benefits
- Changes in status or position
- Changes in salary or hourly rate

- The organization shall make appropriate withholding and payment of federal income taxes, FICA, retirement plans, salary deferrals, and worker's compensation insurance.
- All non-salaried employees shall maintain time sheets, which record hours worked, sick, vacation and other time taken.
- The Business Manager files payroll tax returns and quarterly reports in a timely manner. The Director or Director's assignee reviews the reports and confirms that amounts reported agree with amount posted in QB for the quarter. Any differences are reconciled. Reports are signed off indicating review has been completed.
- Faculty policies prohibit employment of individuals that result in nepotism, conflict of interest and discrimination. They also prohibit employees from accepting excessive gifts, money or gratuities from students or vendors. The personnel policies provide for travel reimbursement, and define eligibility for participation in staff benefit programs. Loans to employees or Directors are prohibited as are any bonuses based on revenue. Employees, officers and Directors who are eligible under Compass School's income guidelines may apply for scholarships for their dependents in the same manner as any other person. **(This supports a "no" answer to part IV #26 of 990 and may result in a yes answer to part IV #27 that would require the completion of Schedule L, Part III.)**

J. Retirement Plan Management

The Compass School 403 (B) Plan with Valic remittance for employee salary deferrals is due within seven days of day it was deferred. There is not currently an employer match. The Business Manager processes the employee contributions as part of each bi-weekly payroll process so these deadlines are met with ease.

K. Recording of Financial Aid Awards

When the Compass School awards a financial aid award or a tuition discount the Compass School records the award in the accounting software.

L. Cash Drawer/Petty Cash Disbursements

1. A cash drawer is maintained for the purposes of small expenditures. The lead receptionist and Business Manager are solely responsible for the handling the cash drawer. The Business Manager determines that the proper amount is in the cash drawer at least weekly.
2. The petty cash fund is maintained for payment of small (less than \$50) necessary expenses incurred by Compass School (e.g. postage, office supplies, etc.). There are also times that an employee will use their own funds for the small purchases. The employee is then reimbursed for the expenditure by check with the approval of the Director or the Treasurer – if it is the Director is being reimbursed. The employee must provide supporting store receipts or other authenticated documentation that indicate the item purchased, the employee making the purchase, and the date of the purchase.

3. If a petty cash fund is established it will be maintained on the imprest system, i.e., a check will be drawn to the petty cash custodian to set up the fund and to make periodic reimbursements. Receipts, vouchers, etc., supporting each fund replenishment must be bound together and summarized on a spreadsheet.

M. Recording of Donated Goods and Services

1. When an item or service is donated to Compass School, the staff or Board member receiving the donation must secure a record of the donation in writing from the donating party. The record shall include:
 - The name and address of the donee.
 - The date of the donation.
 - An estimated value of the donated gift or service per the donor.
 - A description of the donated gift or service.
2. The receiver of the donation shall give the information to the Business Manager, as soon as possible after the donation for timely and proper recording. The Business Manager will review value assigned to donated gift or service for reasonableness. The Business Manager will book the value of any in-kind donation in QB as required. If the donation is for services the Business Manager will determine if it is a recordable or non-recordable donation of services.
3. Compass School will attempt to recover a denied credit card donation or a returned check. The Business Manager or Treasurer will call or correspond with the donor to inquire.

N. Donation Acknowledgements

It is the policy of the Compass School to send a thank you letter for all donations to the donor. Compass School will keep a database on all donations, solicited or unsolicited. The database will track name, address, amount donated, and reason/purpose of donation. When a letter is sent to the donor, the database will also track the date the letter is sent and by whom (staff member or board member.) Donation acknowledgements will include:

- The date of the donation
- A complete description of the in-kind donated item with no value indicated or if monetary, the dollar amount of the donation.
- A statement indicating that no goods or service were received in exchange for the donation or a statement indicating the value of the goods and services received in exchange for the contribution. **(This allows a yes answer to Part V, #7 b of 990, if applicable.)**

IV. ACCOUNTING RECORDS AND FILING

A. Retention of Accounting Records and Filing of Supporting Documentation

(This section allows for a yes answer to Part VI Section B #14 of the 990.)

All relevant supporting documentation for reported program expenditures and revenues shall be filed in a systematic and consistent manner either in paper files or electronically.

1. Record Retention: All accounting records (journal, ledgers, etc.) and supporting documentation (invoices, receipts, checks, voided checks, vouchers, etc.) will be retained for a minimum period of seven (7) years. Below is a list of records to be retained:
 - QuickBooks Back-up Files
 - Bank Reconciliations
 - Bank Statements
 - Checks (for important payments and purchases, including voided checks)
 - Contracts, mortgages, notes and leases (expired)
 - Correspondence (with customers and vendors)
 - Expense Analyses/Expense Distribution Schedules
 - Year-end Financial Statements
 - Insurance records, current accident reports, claims, policies, etc.
 - Inventories of products, materials and supplies, if material
 - Vendor invoices
 - Payroll Reports and Summaries
 - Personnel Files (terminated employees)
 - Cash Receipts filed by day
 - Tax returns and worksheets including 990.
 - Timesheets and other payroll/personnel records
 - Withholding Tax Returns and Statements
 - Scholarship applications (both denied and approved)
2. The following list of records will be retained permanently:
 - Compilation, review, or audit reports
 - Correspondence (legal and important matters)
 - Deeds, mortgages, and bills of sale
 - Depreciation Schedules until related assets are disposed.
 - Retirement and Pension Records
 - Minutes of all Meetings of the Board and its committees
3. Payroll records and timesheets are kept in a locked filing cabinet in the Business Office. Attendance records are saved digitally on the cloud. The Business Manager, Director and the Treasurer have a key to the filing cabinet.

V. FINANCIAL PRACTICE

A. Accounts Receivable, Cash Receipts, and Student Deposits

Compass School receives payments by cash, check or credit/debit card at periodic intervals at the school as well as receives checks through the mail and ACH direct deposit directly to its bank account. These payments can be for tuition and fees, insurance reimbursements, overpayment of invoices, reimbursement for materials, donations, grants or other miscellaneous

items. When funds of this type are received at the School, they are deposited in the Compass School checking account at People's Bank, according to the following procedure:

1. Upon receipt, the Business Manager opens the mail and stamps any checks For Deposit Only.
2. The Business Manager enters any payment information (checks or ACH) into the QuickBooks Accounting system via the Receive Payments or Make Deposit function and prints a bank deposit slip. A copy of the check is made and placed with the summary of the deposit slip in the cash receipts file.
3. The deposits for any given day are given to one of the staff beside the Business Manager not already involved in the process (the staff member running errands or office manager) and driven to the bank in a locking bank bag. The person taking the deposit to the bank returns the deposit receipt from the bank to the Business Manager. The Business Manager staples the deposit receipt to the the copies of checks and deposit slip.

B. Accounts Payable

1. All invoices due to vendors need to be recorded in QB, and are entered once a week for processing. The date the invoice was created by the vendor should be listed in the date field. The reference line is used for the invoice number or other identifying information. If no invoice number is listed, a description of the invoice is used. If two invoices with the same company name, creation date, and/or invoice number are submitted, check for duplicate billing; if not duplicate add a "-1" after the invoice number in the reference field.
2. Paying Invoices:
 - a. The Business Manager opens the invoice; date stamps it, checks it for proper amounts, presents it to the Director for approval, and files it in the unposted bills folder once approval is received for posting on a weekly basis. Invoices received via e-mail are printed off and hand delivered invoices are also reviewed and once approved included in the weekly posting.
 - b. The Business Manager uses the accounts payable function in QB to enter the invoice information.
 - i. All invoices associated with a previously accrued liability are posted to the proper account and/or to the proper class (General Fund, Hot Meals Fund, Development, and Admin) and to the proper grant or other fund. If the expense is not associated with a specific grant or special project the amount is posted to "Unrestricted" as the grant.
 - ii. The invoice is stamped with the accounts payable stamp as entered and filed in the posted, but unpaid file until it is due for payment.
 - c. The Business Manager uses the QB pay bills or checking writing function to write the check to pay the invoice. The checking writing feature can be used for bills that are due on receipt and do not need to have detail for multiple invoices included on the check voucher. The Pay Bills function is used for invoice due at a time later than entered or when more than one invoice is being paid with the check.

- d. Compass School uses voucher payment checks. The bottom piece of the voucher check, which includes the check number and check amount is stapled to the invoice. The check and the top voucher are sent to the vendor detailing what invoices have been paid with that check.
- e. The Business Manager files the prepared voucher packets and checks in a file labeled "checks to be signed". The Director or other signatory comes by and performs a final review and signs the checks.
- f. The Director or other signatory reviews and initials the invoice to indicate his/her approval and signs the check.
- g. The Director returns the check to the Business Manager for mailing or other pick-up or delivery as appropriate.

C. Processing Bank Statements

1. The Business Manager delivers the unopened bank statement to the Director for review.
2. The Director opens the statement and reviews the statement and copies of checks for unusual activity.
3. The Director or designee then reconciles the bank statement using the QB reconciliation process.
4. The Party reconciling the statement prints a Reconciliation Report for the account, staples the report to the bank statement, gives it to the Treasurer for final review and sign off. The Treasurer, after initialing and dating the report to indicate the date of the review, returns the Reconciliation Package to the Business Manager who files it in the bank statement binder.
5. The Board of Directors' Treasurer will review bank statements quarterly.

D. Other Disbursements

1. All disbursements, other than petty cash disbursements, will be made by check or company credit card, if any. Only specific staff card holders have access to the credit cards for purchases.
2. The Director is the sole signatory of all checks. If the Director is unavailable, another approved signatory can sign the checks. (Other approved signatories are the Co-Chairs and the Secretary of the Board of Directors) (Update as needed)
3. The Business Manager receives invoices either via email or regular mail. All invoices need to be recorded in QB, and are entered on a weekly basis, including invoices paid by credit card. The Director approves the invoices for payment and returns them to the Business Manager.
4. The Business Manager inputs the bills into QB and generates checks to pay them as they come due or records payment via credit card as appropriate. (If the Lead Receptionist did this there would be better segregation of duties.)
5. The Business Manager forwards the invoices and checks to the Director for his/ her final review and signature. Items paid by credit card should also be forwarded for appropriate Director sign-off.

6. After signing the checks and invoices, the Director returns the checks and invoices to the Business Manager, who distributes the checks as appropriate.
7. Compass School uses voucher payment checks. The bottom piece of the voucher check, which includes the check number and check amount is stapled to the supporting documentation. (For detailed procedures for invoice/payable processing, there is a manual in the Business Office on QP processing.) **This manual needs to be created.**
8. Applying Scholarship awards[RG17].
 - All awards must be approved by the admissions director prior to posting in the QuickBooks System.
 - Two staff members should review each award for compliance with Compass School award policies.
 - The authorization documentation for the award is filed in the annual awards file.

E. Payroll Procedure

Payroll is processed every two weeks; pay date is Thursday. If the pay date falls on a holiday, the paid date is the first business day prior to the Holiday.

1. The Business Manager performs the following:
 - Determines hours for hourly employee
 - Calculates pay checks for all employees
 - Provides Calculated Check Register and initiates direct deposit of all employee checks.
 - Calculates 941, and State taxes and withdraws such funds from Compass School's account for timely remittance to the appropriate agency.
 - Calculates and initiates an ACH withdrawals for employees with The Compass School 403 (B) Plan with Valic from Compass School's bank account for the employees' salary deferral amounts for that pay period and the employee's HSA contributions.
 - Forwards payroll reports for the period to the Director.
2. The Director reviews the reports for accuracy, especially if adjustments have been made recently. The Director notifies the Business Manager of any needed corrections and determines with the Business Manager if the correction will be made in the current or following pay period. The Director signs off on each payroll report indicating both his/her review.
3. The Director reviews each payroll report as well as the general ledger posting in QB. This review includes calculating that proper pay rates were used to process the payroll and determining that other withholding is consistent with the prior period. Any changes are reviewed with the Business Manager to insure there is proper Board or Employee authorization. The report is also signed off to indicate this review has been completed.
4. In the event that a payroll check is distributed and not remitted to the employee via direct deposit, Compass School will not reissue the payroll/stipend check for at least ten days following the date the check was distributed. Participation in direct deposit is strongly encouraged; although legally cannot be required. The Director or other authorized signatory will first call the bank to see if the check in question has been cashed. If so, the check will not be reissued. If the check has not been cashed, Compass School will

void the initial payroll/stipend check in its books and reissue a new check for the amount previously due to the employee. It will be at the discretion of the Business Manager in conjunction with the Director or other authorized Signatory to decide the appropriateness of issuing a stop payment. The bank will charge Compass School for the stop payment. The Director or Other Signatory will determine whether or not to charge the employee for the stop payment fee.

F. Fundraising

Annually, the Board of Directors is encouraged to help raise unrestricted money through fundraising events.

G. Quarterly Processing

The Treasurer or his/her designee performs the following tasks quarterly and saves and files the folder in the Business Manager's file drawer.

1. Ensure that all invoices that have been received to date are entered in QB, if not already done so within the daily course of business.
2. Check the reconciliations of all bank accounts and agree to ending balance of Trial Balance.
3. Post monthly journal entries including depreciation and assets released from grant restrictions, investment recognized and unrecognized gains and losses and management fees, in any. Accrued earned time is adjusted annually.
4. Agree the Account Receivable General Ledger Balance to the A/R detail per QB.
5. Make a Journal Entry to reclass any student deposits reflected as credit balances in A/R to a liability account.
6. Agree the Accounts Payable and Grants Receivable Details to the QB trial balance
7. Ensures that the Business Manager prints the following reports:
8. A Statement of Net Assets as of the most recent month-end;
 - A Statement of Activities by Grant from the beginning of the fiscal year to the most recent month end indicating remaining Grant Balances;
 - An Operating Budget to Actual comparison from the beginning of the fiscal year to the most recent month end;
 - A Statement of Cash Flows from the beginning of the fiscal year to the most recent month end;
 - A listing of the Details of the Pledges Receivable Balances as of the most recent month-end;
 - An accounts receivable aging as of the most recent month end; and
 - An accounts payable aging as of the most recent month end.
 - Fundraising Reports, if any
9. All printed reports are reviewed quarterly by the Business Manager, the Director and the Treasurer and presented to the Finance Committee.
10. Quarterly the Board of Directors reviews the financial information and financial statements.

H. Investments

1. It is the Board's responsibility to develop policies that govern investment of the assets of the organization. This shall include delineating a specific philosophy of investment management and establish parameters for investment risk and return. These guidelines may be revised from time to time, but shall always be in writing.
 - a. The investment policy of the organization will be approved by the Board of Directors and reviewed annually.
 - b. Assets are to be managed with the goal of achieving the maximum annual income from interest and dividends, yet maintaining, insofar as possible, the purchasing power of the underlying assets. Investments shall be consistent with the overall mission of Compass School.
 - c. Full discretion, consistent with the guidelines described within, is granted to the investment manager in the mix of assets, the selection of securities and the timing of transactions.
 - d. No more than 25 percent of the total portfolio at portfolio cost value shall be in the securities of any one issuer.
 - e. All investments shall adhere to such federal and state laws as now apply or may be applicable to the investments in the future.
 - f. Gifts of securities will be sold immediately upon receipts unless otherwise restricted by the donor.
 - g. Cash reserves, will be invested according to Board-approved investment policies, in consultation with the Finance Committee.
 - h. The Finance Committee shall make review of investment portfolio and results no less often than every six months.
 - i. The Board shall assist the designated investment manager and protect his/her position by setting up practical guidelines and clear performance objectives.
 - j. The performance of the investment manager shall be measured by setting up practical guidelines and performance objectives.
2. The Board of Directors will develop, build and retain sufficient funds to handle fiscal emergencies, such as short-term cash flow problems, or unanticipated losses and/or deterioration of physical assets. This fund is called the Reserve Account.
3. Reserve Account funds will derive from unrestricted fund balances, after Board acceptance of the annual compilation, review, or audit and capital fundraising.
 - a. The goal for the Reserve Account is to maintain a balance of no less than five percent of the value of owned property.
 - b. Reserve Account funds shall be invested in accordance with the organization's approved investment policy. Interest earned on the investment of Reserve Account funds shall remain in the Reserve Account.
 - c. The Board of Directors shall approve expenditures from the Reserve Account.

I. Expense Reimbursements

The policies and procedures in this section are for use by Compass School staff, members of the Board of Directors, Compass School volunteers, and consultants or contractors.

1. Events: Off-site visits and meetings, granter site visits, conferences, seminars, workshops, and other training that directly enhance a person's ability to perform his or her job can be considered for reimbursement. Expenses incurred while working at a Compass School event are eligible for reimbursement.
2. Lodging expenses incurred while working at or attending a Compass School event will be reimbursed or paid by Compass School directly. Lodging expenses need to be approved prior to attending the event. Receipts are required for all eligible lodging expenses.
3. Receipts are required for all miscellaneous items purchased for Compass School use.
4. Travel expenses are reimbursed to staff and Board members upon submission of a signed and completed reimbursement request within ten days of the end of the quarter. Upon completion of any trip, the Compass School representative submits receipts for all expenses and the difference in expense from any advance is rectified. All travel vouchers must be signed, clearly indicate the places traveled to and from and be approved for payment by authorized staff.
5. Travel advances will be made based upon availability of Compass School funds. Advances are made based upon need as determined by the Director of Compass School. Travel advances made to the Compass School representative are made according to a written estimate of the costs, including receipts and meeting expense estimates on registration forms. Eligible travel expenses include meals, lodging, airfare, taxi, van, shuttle, train, and mileage. When traveling from the Compass School office to an offsite location, the full distance is eligible for reimbursement. When traveling from home to an offsite location, any portion of the trip that coincides with the employee's normal commute to the Compass School office is not eligible. Receipts are required for all eligible transportation expenses, except when difficult to obtain as with some taxis, tolls and parking.
6. The mileage and tolls reimbursement rate will be set each year during the budgeting process. Airport parking will be reimbursed at the long-term or economy rate for any airport.
7. The quarters are July 1 through September 30, October 1 through December 31, January 1 through March 31, and April 1 through June 30.

J. Subcontracting Policies

Subcontractors are required to comply with the following policies:

1. Compass School will have an appropriate written contract with each sub-contractor signed by the Chair of the Board or Director.
2. Non-compliance with contract requirements can result in non-payment on that contract until all contract requirements are met. Contract requirements include but are not limited to correctly and accurately filing data, reports, and payment requests by the stated deadlines. Repeated non-compliance may result in default on a contract as outlined below:
 - a. The Director or other supervising party will inform the Chair or the Treasurer of any repeated (more than one occurrence) noncompliance with contract

requirements. The Chair or the Chair's designee will contact the appropriate party in the sub-contracting agency and offer assistance with meeting contract requirements.

- b. When noncompliance issues have not been resolved by the sub-contractor within a reason time frame the contract(s) between the sub-contractor and Compass School may be terminated.

K. Server Backups

A backup of the files on the Business Manager's computer are created locally each day on a password secured USB flash drive. The Business Manager (or another member of administration in their absence) takes this backup home each night. The Technology Coordinator is responsible for the maintenance and replacement of the backup drive on a rotating basis.

The following procedure describes the maintenance and replacement of the backup drive and the files on the Business Manager's computer:

1. Each week, the Technology Coordinator (or his/her designee in the case of absence) will verify that Quickbooks, the backup drive and the backup utility are up-to-date and functioning properly.
2. A spare blank backup drive is stored onsite in case the drive in use fails.
3. At the end of each fiscal year, the backup drive will be replaced by the Technology Coordinator, and the backup utility updated as needed. The "old" backup drive will be erased and used in house as a secure backup for other computers.
4. At the end of each semester, the Business Manager's computer is imaged (a copy of the entire hard drive is created). This image is placed on a separate password secured USB flash drive from the backup, and is stored in an off-site location accessible to the Technology Coordinator in the event the Business Manager's computer drive fails and needs to be replaced.

L. Miscellaneous Practice

1. Checks will not be payable to "cash" or signed in advance.
2. Voided checks will be mutilated, but not destroyed, and filed with cancelled checks. If a mistake is made in writing a check, follow this procedure to process the check that is in error.
 - a. Write VOID in large black letters across the face of the check.
 - b. Tear off or otherwise mutilate the signature area of the check.
 - c. File the voided check in the voided check folder and record the voided check in QB.
 - d. At month end reconcile voided check list with QB.
3. Unclaimed or undelivered checks shall be investigated and resolved. Unclaimed property will be turned over to the State of Vermont or other appropriate state as required under the escheat laws.

4. The person signing or controlling the signing of checks at the time checks are signed shall examine all supporting documents and ensure that another funding source is not responsible for the related expenditures.
5. The Business Manager or her assignee, shall distribute payroll checks not delivered through direct deposit.
6. The Director, or his/her assignee, shall approve all disbursements, excluding petty cash purchases, and disbursements to her/himself.
7. An appropriate Board of Directors member will approve disbursements to the Director.
8. The Board of Directors must approve any purchases over the amount of \$5,000 unless the purchase has been approved as part of the operating, program or capital budget of the organization.
9. At the discretion of the Director, any unused or unwanted equipment, supplies or furniture may be donated to another 501(c)(3) organization, local school or employee. If applicable, the item shall be disposed of properly on the fixed assets inventory.
10. Blank checks are stored in a locked drawer in the Business Manager's office. The Business Manager, Director, and Treasurer have keys to this drawer.
11. For restricted funds, the following procedures are followed: the recording of expenditures by program function and/or budget cost category; special provisions regarding flexibility limitations within budgetary cost categories are complied with; and the expenditure of funds is made within the appropriate budget period as prescribed in the awarding document.

M. Recording of Fiscal Sponsorship

If Compass School assumes a fiscal sponsorship, the liability will be documented in the Compass School accounting software. The liability is incurred on the day the Compass School assumes fiscal sponsorship. The awards are recorded for the entire grant amount, even if the funding is for more than one year. A separate accounts payable account is used to processing the sponsoree's payables

Approved by the Compass School Board of Directors, _____