



# COMPASS SCHOOL

LEARNING COMMUNITY DEMOCRACY DIRECTION

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4/8/19

Dear State Board of Education Members,

I am writing to explain why the Compass School 990 forms were not filed on time and to assure you this problem has been addressed and won't be repeated in the future.

First, let me apologize and take responsibility for our delinquency in filing. The process we had in place for filing these forms failed due to personnel changes and a series of unfortunate circumstances. Our oversight system wasn't sufficient to catch these problems but we have a much more reliable process in place in light of this failure.

I want to assure you that while the filing of our 990 forms was delinquent, we kept current on all payments including the 941 payments to the IRS, and our board reviewed budgets and annual financial records at least 5 times each year. I should have been more involved with the 990s, but this had been handled by others in our organization for years and I didn't realize the problem until this fall, when I directed our business manager to get the paperwork completed, which she had done even before we received the letter in March about the revocation of our exempt status. These late 990s, along with a new 1023 form to reinstate retroactively our tax-exempt status, have already been sent to the IRS.

Our process for completing 990s in the time between about 2010-2014 involved our business manager and board treasurer working with Business and Tax Consultants from Brattleboro on these for several years and we had relied on them to keep us in compliance regarding the 990. As part of a loan requirement with USDA, we had more thorough A-133 audits in 2014 and 2015 with other accounting firms. I assumed the 990s were filed by these accountants as part of this process and Business and Tax Consultants stopped working with us during this time. Apparently the 990 was filed the first year with the first accountant we worked with but not the next year with our new (and much more qualified) accountant.

At the same time as we worked with this new accountant, we had changes in personnel with a new business manager, board chair and treasurer. In addition, a parent volunteer who was an accountant herself and worked with our business manager on financial oversight had her son commit suicide this same year, so none of those responsible for the 990 process previously were available to assure these filings continued.

During this time, we continued to be diligent in our financial record keeping and my monthly oversight of the budget and spending. I wasn't aware these 990s weren't completed until the 2019 school year (and the new board leadership didn't have this on their radar). I now realize this is something the director needs to be more on top of, but up to this time, this was being delegated to other personnel and in concert with the board leadership.

When I finally learned this fall that we were behind in filing, I directed the business manager to prioritize this and she was able to get these records together late this past fall. We had already forwarded these materials to our accounting firm when we received the revocation letter from the IRS and are submitting the overdue 990s along with our reapplication for exempt status along with this letter.

Again, I deeply apologize for this-inexcusable mistake. Although the circumstances were difficult, we should have been more aware of the priority of having a system for filing these in a timely fashion. We have committed to a more reliable system for filing the 990 in the future. In addition to all key personnel in our organization (the business manager, board chair, treasurer, and maybe, most importantly, me as director) knowing about the importance of this filing, its value for public scrutiny, and the timeline when it is expected, we have contracted with the CPA who filed these late 990s to be our filer going forward. We have also asked this CPA to help us with a review of our procedures and systems for financial reporting and to make recommendations for a more reliable system going forward to ensure timely completion of all financial record keeping. While the extensive audits of 2014 and 2015 had no negative findings and offered several

procedural improvements that we implemented as directed, attention to the 990s was not among the reference points in these audit reports.

We also are committed to being fully transparent with our financial records and reporting. We have posted the completed 990s on our website and have provided detailed budget records for our state approval (and willingly shared these even with the reporter from the Vermont Digger). We are happy to share all our annual budget documents with the board or AOE or its representatives. As I said earlier, we do thorough tracking of finances here on at least a bi-monthly basis and have a consistent history of financial stability. We would be proud to share this with any interested party.

In our small schools, we wear many hats and learn much along the way. As much as I regret the problems this missed filing has caused, I appreciate learning the importance of the 990 filing and the chance for us to develop more reliable processes to be responsible in prioritizing this public reporting to retain the confidence in our accountability that I know we deserve.

Your thoughtful consideration of our situation is greatly appreciated. I would be more than happy to meet with the board at your April meeting if you have further questions. I cannot make the meeting in May as I am scheduled to be leading a trip for our 11<sup>th</sup> graders at this time.

Thank you for your attention.

Sincerely,

Rick Gordon  
Director  
Compass School