

ACCOUNTING PROCEDURES
BUSINESS OFFICE MANUAL

This sample manual has been provided by MISBO Board member and long-time CFO in independent schools - Paul Ibsen. MISBO is grateful to Paul for providing this resource.

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1.0 BACKGROUND INFORMATION

1.1 Tax Status and Purpose

The following manual is a description of the accounting system and responsibilities for the accountants of the School. The School is a not-for-profit organization incorporated as a 501(c)(3) organization. The School is registered with the Secretary of State in _____ with a fiscal year end of _____. The School is also registered with the State Department of Regulation and Licensing to raise funds from the general public. The articles of incorporation state that the purpose of The School shall include:

The mission to inspire in its students _____

In accordance with IRS Code section 501 (c)(3), The School is organized and operates exclusively for the exempt purpose as described in Form 1023, the application for exemption. In compliance with the restrictions on organizations qualifying under the 501(c)(3) code:

- . No part of the net earnings of the organization may inure to the benefit of any private shareholder individual
- . No substantial part of the activities of the organization may consist of the carrying on of propaganda or of attempting to influence legislation (lobbying).
- . The organization may not participate in, or intervene in, any political campaign on behalf of any candidate for public office.

Contributions to the School are deductible as provided in section 170 of the IRS Code

1.2 Service Area

The primary service areas include the surrounding Neighborhood Community.

2.0 CHART OF ACCOUNTS

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3.0 ACCOUNTING PRINCIPLES AND PROCEDURES

3.1 Policies

The School will be consistent with all applicable laws. These include Generally Accepted Accounting Principles, Statements of Financial Accounting Standard Numbers 116 and 117 and AICPA Audits of Certain Non-Profit Organization.

Certain procedures resulting from these accounting pronouncements and releases are discussed below.

3.2 Procedures

3.21 Revenue Recognition

Unconditional pledges of contributions are recognized in the statement of activities in the period made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history and nature of fund-raising activity.

Tuition rates and fees are approved in the budget process and are published in the enrollment agreements. At the time of enrollment or re-enrollment, parents or designated custodian sign a tuition contract for their child to be saved a spot for the school year.

Tuition is recognized as revenue over a 9-month period - 1/9 each month starting in September through May. Tuition is reconciled at the end of the year by using the signed contracts. A reconciliation of unearned tuition reflects any additions or deletions over the course of the year. Tuition billing is done thirty days before the due dates.

The contract payment schedule is as follows:

First payment - 10% deposit of total tuition - credited to last payment in a standard plan

Second payment - 1/2 total tuition plus any fees due July 1

Third payment - 1/4 total tuition due on November 1

Last Payment - Remaining balance due February 1

3.22 Matching of Revenue and Expenses

In order to present accurate and consistent financial statements, the revenues and expenses attributable to each period will be reflected in that period to the degree possible. Generally, all entries required to accurately reflecting the revenues and expenses of each period will be made in that period.

The School records transactions on the accrual basis of accounting.

3.23 Fixed Assets and Depreciation

The School follows the practice of capitalizing land, plant and equipment with a purchased cost or donated value in excess of \$1,500.

Purchased land, plant and equipment are recorded at cost, and donated land; plant and equipment are recorded at estimated fair value at the time of the contribution. Plant and equipment are depreciated using the straight-line method, over estimated lives ranging from 3 to 60 years.

The provision for plant replacement, renewal and special maintenance (PPRRSM) is designated by the Board of Trustees and increases designated unrestricted net assets. When PPRRSM monies are spent, designated unrestricted net assets are decreased.

3.24 Donated Materials and Services

Contributed services are reflected in the financial statements at the fair value of the services received if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers donate significant amounts of time in SCHOOL' services and management, which do not meet the criteria described above. Accordingly, the value of this contributed time is not reflected in the financial statements.

Donated materials are safeguarded by the IA Office, who physically inspects the items when received and keeps a record of these donated items each year. The Director of Advancement is in charge of ensuring that the donated materials recorded actually exist.

3.25 Data Cutoff

In order to meet the deadlines for producing reports discussed in Section 7 & 8, the gathering of information to use in making the month end entries must be cutoff by a certain date.

The monthly financial statements are produced after two weeks of the month end. Any payables or other information not available by two weeks after month end will be classified in the next period.

For the year-end financial statements, a cutoff of three weeks will be used. Accruals will be used for payables not received on time for the year-end process and deferrals use for invoices received in current year related to the next year's expenses.

4.0 CASH DISBURSEMENTS

4.1 Policies

The positions authorized to sign checks are: Chairman Board of Trustee, Treasurer Board of Trustee, Head of School, Chief Financial Officer and Controller. Disbursements, with amounts over \$1,500 require two handwritten signatures from the above.

The Payable/Payroll Administrator maintains the accounts payable. Prior to payment, the Payable/Payroll Administrator will code each invoice, prepare the checks and organize the documentation.

The Payable/Payroll Administrator will determine payroll amounts based on timesheets, contracts and authorized rates. The Payable/Payroll Administrator will prepare the payroll checks through ADP system.

4.2 Procedures

4.21 Capital Acquisition

The Assistant Head of School for Finance and Management must approve all material property and equipment additions for capital items. School permits the accounting personnel to: (1) distinguish between capital items and repair and expense items, (2) determine a cutoff amount below which items are expensed, and (3) establish a depreciable life.

4.22 Supplies, Services, and Other Invoices

Purchase functions are performed by Department Heads, Assistant Head of School for Finance & Management, Controller and other employees with a line-item budget. The school utilizes a purchasing card to handle purchases made by each department. Each month the purchasing card statement, transaction log and receipts are forwarded to each Department Head for approval of all purchases. The documents are then forwarded to the Business Office for handling. The Assistant Head of School for Finance reviews the Directors purchasing card statement and forwards to the Controller for final review of expenses. The other statements are directly sent to the Controller for review. There are 80 cardholders, and the information is gathered at month end to input all expenses incurred using the purchasing card. A journal entry is put together based on all the statements received from the purchasing card statement. The school utilizes a small amount of purchase order upon implementation of the purchasing card system.

When the goods or services are received, the Payable/Payroll Administrator handles the processing of payment through accounts payable. The Payable/Payroll Administrator checks the purchase order, packing slip and signature on the invoice from the originating person who ordered the goods or services to make sure that everything got received and it is ok to pay the invoice. The Payable/Payroll Administrator inputs the invoice into the A/P ledger and files all documents in the open invoice file until they are paid.

4.23 Invoice Payment Procedures

Invoices are paid every Wednesday of the week. Typically prior to generating checks, a pre-check report is generated, but the Blackbaud payable system only prints checks for vendor invoices that are due for that week. Once the checks are printed, the Payable/Payroll Administrator attaches all documents in the open invoice file related to the check and forwards to

the Controller for signature. Any checks more than \$1,500 would be forwarded to the Assistant Headmaster for a second signature. The Payable/Payroll Administrator seals the checks in envelopes for mailing and the support documents are returned for filing in the A/P paid files.

The school has implemented a purchasing card used by Department Heads to aid the purchasing process. There are 80 cardholders, and the cards are issued from ComData. Each month the statement, transaction log, invoices, etc are forwarded to the Business Office for journal entry to the ledger for the expenses incurred for the month. The Controller audits all statements and invoices before making a journal entry to the ledger. Payment for the purchasing card is drafted every 5th of the following month from the general operating account. The card statements are e-mailed to each individual cardholder every 4th of the month and submit the paperwork to the Business Office by the 10th of each month. Any disputes are directed to ComData to get resolved, if not, Controller pursues the issue.

4.24 Payroll Procedures

The Payable/Payroll Administrator is in charge of all phases of payroll. THE SCHOOL uses Paychex for running payroll and preparing all tax forms. The Payable/Payroll Administrator inputs the payroll information into ADP software and transmits via modem to ADP. The software calculates the appropriate deductions and the net amount to be paid to the employee. ADP either prints the checks or direct deposit to the employee's checking or savings account or wherever they have designated for their monies to go.

There are three types of employees in the school:

Teachers and Administrators on 12-month salary (signed contracts)
Clerical on 12-month salary (no signed contracts)
Hourly employees

The HR Assistant prepares contract for employment for Teachers and Administrators. The Head of School and the employee sign the employment contract. Contracts are given out during Spring Break. The Payable/Payroll Administrator keeps all signed contracts in a locked file.

All changes for administration, clerical, hourly and contract employees are updated in the computer before the 1st payroll processed in July. All changes for teachers are done in August. Payroll checks for the teachers, administrator and clerical are processed every 20th of the month.

Timecards/sheets for hourly employees must be signed and approved by the Department Head. Maintenance employees are paid on the 20th of the month also.

5.0 CASH RECEIPTS

5.1 Policies & 5.2 Procedures

Mail is delivered to the School's front reception. The admissions receptionist put the mail in its designated boxes in the mailroom. Pledges received in the special pledge envelope are forwarded directly to the IA Office. Any pledge checks received by the Business Office will be forwarded to the IA Office.

IA Assistant post checks related to pledges in the Blackbaud Raisers Edge system. A daily cash receipts is generated. The Assistant Headmaster for Development reviews this report, along with the actual checks received. A copy of the check is made and filed with the donors' records. The daily cash receipts log and checks are forwarded to the Business Office to record into the Accounts Receivable ledger and for deposit to the bank. The Development Office for all contributions received sends out a contribution acknowledgement letter. The school does not maintain these letters.

For tuition checks, the envelopes are given to Payable/Payroll Administrator. Payable/Payroll Administrator makes a tape and gives the tape and related checks to Receivable/Fixed Asset Accountant to record. The teacher/department head coordinating a trip, or an event is responsible to make a deposit slip, attach all checks and forward these to the Receivable/Fixed Asset Accountant for deposit to the bank.

The Receivable/Fixed Asset Accountant prepares the deposit slip for all of the checks received during the day. The deposits with the checks are forwarded to the Controller who takes the bag with the deposit to Bank of America where the school does its banking. The Controller compares the validated deposit slip to the cash receipts subsidiary totals. The validated deposit slip is attached to the daily receipt report for the day. The Receivable/Fixed Asset Accountant inputs the cash receipts into Account Receivable subsidiary ledger.

Tuition payments can be paid through Sallie Mae's payment gateway linked in the school's website. The school does not store or collect any of the information in the payment gateway handled by Sallie Mae. Monies collected by Sallie Mae are transferred to the school's operating cash as the transactions get settled.

Proper physical controls exist to ensure that all receipts (checks and currency) are deposited at the bank, intact, on a daily basis. All clerks collecting currency are closely supervised. Also, fund-raising employees are separate from accounting functions. However, due to insufficient staff: any post-dated checks, NSF checks, disputed items, and charge backs are investigated by the person who prepares the deposits and postings of accounts receivable detail. No checks are allowed to be cashed out of currency receipts.

There is one petty cash fund. The Administrative Assistant to the Headmaster handles this fund. It is maintained on an imprest basis. Any amount over \$35 is prohibited against petty cash disbursement. No checks are allowed to be cashed from the petty cash fund at any time.

The school launched a payment gateway on the school's website. The Website Coordinator sets up Form Name/Name of Form for new e-commerce form on the SCHOOL website. The payment gateway accepts Mastercard, Visa, Discover card and American express cards. The Website Coordinator e-mails the Controller with new forms added in the e-commerce gateway. NMI the school's payment gateway has controls in their processing to stop any transaction that cannot be

settled or completed due to errors in the card like expired dates or numbers wrongly entered in the system. NMI also launched a three-step redirect API, where credit card information is transmitted directly to the payment gateway through an end-to end Secure Sockets Layer (SSL) connection bypassing the school's server and payment application. It ensures secure data transmission by keeping THE SCHOOL from seeing, touching, handling, transmitting, or storing any sensitive payment details. For transactions handled by Development for contributions, credit card information is shredded and not stored in the office.

The Controller runs a monthly report from NMI's website and verifies that all payment gateway transactions are accounted and deposited in the school's checking account. The monthly report is used to identify the revenues generated and a journal entry is prepared using the information to debit cash.

The School store has a swipe account for credit card payment directly to the API with NMI, not storing any credit card information in the server. The School Store Manager provides the daily transaction total at the end of the month and sends the information to the Controller to verify that all monies are accounted and deposited in the school's cash account.

6.0 BANK RECONCILIATION

6.1 Policies

The main operating cash account is electronically sent by the bank. Cancelled checks are not included in the bank statements sent to the school. The images of checks are stored in the bank's data base for 90 days and can be retrieved via Cash Pro online program provided by Bank of America. As of February 1, 2015, the operating cash is transferred to Paragon Bank and the three accounts below. Finance Committee directed the Business Office to keep only \$2M in the operating cash not including the three accounts.

The other three cash accounts are sent via mail at the beginning of each month. There's limited number of checks written out of the accounts. The three accounts are Parents Association, Booster Club and Campaign cash account.

Controller reconciles all bank statements. Controller compares dates and amounts on the bank statement with the cash receipts journal. All bank transfers are investigated to determine that both sides of the transaction have been properly recorded in the ledgers.

6.2 Procedures

The Controller prepares the monthly bank reconciliation. The bank reconciliation will reconcile the bank balance to the general ledger cash balance. A journal entry will need to be posted each month for items on the bank statements, which are not already recorded in the general ledger. These reconciling items may include interest earned, service charges, NSF checks, direct deposits and other debit or credit memos.

The Controller forwards reconciled bank statement to Chief Financial Officer for review and signature. Once signed by the Assistant Head of School for Finance, the monthly bank statement and other supporting documents are filed in the bank reconciliation file. The reconciled report is filed in the Bank Reconciliation binder.

7.0 END OF MONTH ACCOUNTING PROCEDURES

7.1 Policies

The Controller prepares the monthly financial statements.

The Chief Financial Officer approves the financial statements before forwarding to the Finance Committee.

7.2 Procedures

The monthly financial statements are prepared within two weeks after month end.

Upon completion of the monthly bank reconciliation, the Controller prepares the monthly manual journal entries. There are two types of journal entries, those that remain consistent from month to month (recurring) and those that are specific to that month.

The recurring journal entries include depreciation and expensing any prepaid. The specific journal entries include recording of purchasing card disbursements, principal/interest payment for bond, interest and dividend income, bank transfers, accrued wages and payroll, bank charges, pledge recon., etc.

The Controller maintains a file for each month, which includes work papers which document balance each balance sheet account. All balance sheet accounts will be reconciled monthly to help ensure that accurate statements are provided to management and the Board. All entries for due to/from on fund balance accounts are reconciled monthly for accuracy on the balance sheet accounts.

8.0 END OF YEAR ACCOUNTING PROCEDURES

8.1 Policies

The Controller prepares the year-end financial statements.

The Controller is responsible for preparing for the annual financial audit and for working with the outside auditors to complete the audit.

The Chief Financial Officer approves the financial statements before being distributed to the Finance Committee Board of Trustees.

The Finance Committee Board of Trustee approves the year-end financial statements.

8.2 Procedures

The cutoff for June is extended to three weeks after year-end to include invoices not received on the cut off date and any adjusting entries that need to be done for the year-end close of the books.

Upon completion of the June financial statements, the preliminary year-end report is run by the Controller and given to the Chief Financial Officer for review and any other entries needed to close the books for year-end.

8.3 Financial Audit

The Controller contacts the independent accountants as soon as the Board Treasurer signs the audit engagement letter to begin planning the scheduling and work needed to complete the audit. The Assistant Head for Finance and Management and Controller will ensure that adequate space is provided for the independent accountants to work in our office.

The Controller will work with the independent accountants to determine what confirmations will be required. This process is completed as soon after the prelim audit is done around May. The Controller will oversee typing the confirmations. The Assistant Headmaster for Finance and Management will sign the confirmations. These confirmations are handed back to the independent accountants during the prelim audit.

The Controller will be responsible for preparing as many of the schedules, which the auditors will use. The Receivable/Fixed Asset Accountant and Payable/Payroll Administrator will be assisting in getting schedules ready related to their area of work.

Some of the information which needs to be organized and made available includes: the complete general ledger for the year, a chart of accounts, all bank statements, all paid invoices, all cash receipts logs, all payroll records, including timesheets, payroll summaries for each pay period, Board minutes for the year under audit through the most recent minutes available, printouts of the donor database, including all restricted donations, lease agreements, insurance policies, documentation for fixed assets capitalized and documentation for donated services or donated assets recorded in the general ledger.

The Controller will be available at all times throughout the audit to facilitate the work of the auditors.

The Chief Financial Officer and Controller will plan a meeting with the auditors at the end of the audit to discuss any issues raised, review the audit journal entries, evaluate the audit process and plan improvements for the following year.

The Auditors will present the final audited financial statements to the Finance Committee Board of Trustees who reviews it for the Board meeting in the fall.

The Finance Committee makes a recommendation to the Board on how the surplus in any given year is distributed to the reserves account for future projects for the school campus.

9.0 COST ALLOCATIONS

9.1 Policies

The school is not currently using any cost allocation as originally planned. The chart of account in the database is limited in handling cost allocations. There are no plans to cost allocate at this time.

10.0 INVESTMENTS

10.1 Policies

A sub-committee called the Investment Committee from the Finance Committee is designated for the management of the school's investment accounts.

A detailed guideline for Investment and Spending Policy is on file for the Endowment funds.

The Endowment's objective is to attain a real total return of at least 3% over the long-term (rolling 5-year periods)

The TBT funds are invested in bonds and equity. The bonds are carefully selected with the maturity year in line with the year for the principal payment for the tax-exempt bond loan. The Investment chair coordinates the procurement of these bonds.

The bonds were re-financed through _____. The TBT funds that were invested in bonds are currently in the money market funds as the invested bonds were called. There is no more bond ladder set up but in money market funds due to the smaller amount of principal payment due each year. The yearly bond coverage for principal and interest is at \$1.1M.

10.2 Procedures

Endowment contributions are invested with Commonfund. The monies are first transferred to Bancorp cash account. There is a two-step process to balance the endowment account: monthly report is generated to re-balance the portfolio to the 60/40 scenario, a call has to be placed to purchase the equity or bond with Commonfund before the end of the month. Commonfund provides the cutoff date for the transfers to the equity and bond accounts.

Some of TBT contributions are invested with Commonfund for equity investing. The bonds are purchased through _____.

Part of the operating investment monies were utilized to pay off part of the Term Loan for _____ in _____.

11.0 DEBT

11.1 Policies

Board approval is required for incurring any debt of the School.

The Head of School and Chief Financial Officer are in charge of all debt agreements including lease agreements for copiers and relocatable classrooms.

11.2 Procedures

The Board Chairman, Board Treasurer, Head of School and Chief Financial Officer will sign any debt agreements after receiving full Board approval.

The Controller will reconcile the general ledger debt balances to statements or amortization schedules each month.

Covenant testing is done quarterly and annually for _____ to make sure we are in compliance.

12.0 RESERVES AND DESIGNATED FUNDS

12.1 Policies

The School will build and maintain an operating reserve to assist in maintaining financial stability. The Finance Committee Board of Trustees set a goal for the operating reserve at 12-17% of the operating expenses or cash reserves equal to 60 days. The reserve for PPRRSM is also set to 3% of plant value, used to pay for maintenance, replenished as used.

The Board of Trustees may designate portions of the net assets of the School for specific purposes.

12.2 Procedures

During the annual budget preparation, the Board will review the operating reserve and set a target for funds to be set aside that year. The operating reserve cash is established and maintained with the general operating bank account.

The PPRRSM reserve is also done the same way as the operating reserve during the annual budget preparation.

13.0 INTERNAL CONTROLS AND FINANCIAL AUDIT

13.1 Policies

The review of internal controls and the annual audit are two of the most important procedures the Board has for fulfilling its fiduciary responsibilities to the School.

The Chief Financial Officer and Board Treasurer establishes internal controls pertaining to the accounting records in consultation with the Controller.

The Board of Trustees selects the public accounting firm, which will perform the year-end financial audit. The financial audit report is presented to the Finance Committee Board of Trustees who has the authority to approve the audit.

13.2 Procedures

The key features of the internal control system are that the Chief Financial Officer and Controller are not involved in handling checks and cash received. The other aspect of this is that the Controller reviews the transactions of the other employees and is responsible for noting any problems to the Chief Financial Officer.

The Audit Committee, sub-committee from Finance Committee will approve, as part of the budget process, the public accounting firm to perform the annual audit.

The Finance Committee Board of Trustees will attend the audit exit conference at the conclusion of the audit. The Finance Committee will review and approve the financial audit.

The Assistant Head of School for Finance and Controller will be responsible for scheduling the audit, preparing the information needed by the auditors and answering questions during the audit.

14.0 COMPLIANCE

14.1 Policies

The School has systems in place to ensure compliance with the restricted donations.

The Assistant Head of School and Controller are designated as the School's compliance officer and will be responsible for overseeing the compliance with all applicable restrictions.

The Director of Advancement will be responsible for communicating the nature of all donor restrictions to the Controller. This information will be used to ensure that the General Ledger restricted donations account will reflect the restricted donations and the spending of those restricted amounts, as appropriate.

14.2 Procedures

14.21 Restricted Donations

The Institutional Advancement Office will maintain a record of all restricted donations in the donor database so that periodic report of the year's cumulative restricted donations can be produced.

The Controller will forward copies of the restricted donations to the different department head where the donation is to be used for.

15.0 BUDGETING

15.1 Policies

The Finance Committee Board of Trustees is responsible for guiding the budget process and for approval of the annual budget.

The Chief Financial Officer and Controller will be responsible for preparing the proposed budget.

15.2 Procedures

The budgeting process begins in September each year in preparation for next year's budget.

All budget requests are submitted to the Controller in the beginning of October, due date set by the Chief Financial Officer. The budget documents are reviewed and adjusted to compile the prelim budget for the school's budget for the next school year. The preliminary budget is presented to the Finance Committee to determine the tuition increase for the next school year. Guidance from the Finance Committee is given to the Assistant Headmaster to prepare the prelim budget preparation.

The board meeting in December discusses the parameters of budget and tuition requirements. By January, the Board of Trustees meeting will approve the proposed budget and tuition increase as preliminary budget. One of the Trustees together with the Head of School and Assistant Head of School for Finance present the tuition increase to the parents coordinated through the Parents Association meeting by February of each year.

The actual budget for the following year will be finalized in September utilizing actual enrollment numbers for the new school year.

16.0 COMPUTER ACCESS AND BACKUP

16.1 Policies

The accounting computer and software have access controlled by passwords. The Technology Director controls the master password.

The accounting data are backed up every night. The Technology Department is responsible for carrying out this backup process every night.

The Technology Director is responsible for maintaining the disaster recovery plan for the accounting software and periodically testing the plan.

16.2 Procedures

16.21 Passwords

The Blackbaud Accounting Software used in the Business Office is accessible only with a user password to log to the general ledger and subsidiary ledgers. Each personnel are assigned a unique password to log in to the system. The control of the access of each program is handled by the Assistant Director of Technology who handles all Blackbaud soft wares within the campus.

16.22 Backup

The back up procedures is designed to maintain records of various periods until that period is closed.

A daily tape backup will be maintained of the accounting data for each day that work is performed until that day is backed up the following week.

The Assistant Technology Director ensures that the appropriate backups are made at the end of each day.

Back ups are only kept in for 2 weeks. Business Office personnel are given backup equipment hooked up to each individual computer that handles the backup processing daily and automatically in the event of power loss, etc.

16.23 Disaster Recovery

The Technology Director is working on a plan for this.

17.0 ACCESS TO RECORDS AND RECORD RETENTION

17.1 Policies

The records of the School are generally open to public inspection due to IRS rules, open records laws and the spirit of public service. However, certain information is not open to public examination and may only be released with the permission of the Chief Financial Officer. Questions in this area are to be resolved by the Chief Financial Officer or the Controller. If the answer to a request is unclear, the Chief Financial Officer may contact the School's attorney for a consultation.

Record retention is governed by various rules, statutes of limitations and common sense. Certain documents must be retained indefinitely, while others may have little use after a year.

17.2 Procedures

17.21 IRS Forms

Payroll tax forms are not public information and will not be released.

IRS Forms 990, the exempt organization information returns, must be made available to anyone upon request. The specific rules are outlined in the instructions for Form 990. All pages, schedules, and attachments, except the detailed schedule of contributors must be made available. The prior 3 years of 990s must be available upon request for free review in our office. If the requestor wishes to have a copy, that will be provided immediately or may be mailed to the person. We would charge the legally allowed fee of \$1 for the first page and 15 cents for each additional page, plus actual postage, if applicable.

The application for exempt status, Form 1023, and the IRS determination letter are also available to anyone upon request for a free review in our office. Copying charges are the same as for the Form 990 if the person wishes to take a copy.

Form 5500 Benefit Plan and Form 5500 Retirement Plan copies are also available to anyone upon request and fees charged for copies are the same as above.

The Controller is responsible for furnishing copies of these documents to the person requesting it.

17.22 Personnel Records

All requests for personnel records, job references and credit inquiries will be referred to the Assistant Head of School for Strategy and Human Resource. For credit inquiries, a signature from THE employee needs to be provided to the Payroll Administrator before personnel information is disclosed.

17.23 Financial Information

Financial statements and other financial information are regularly distributed to the employees and the Board of Trustees. This information is not to be made available to persons who are not regularly authorized to receive that particular report. The Chief Financial Officer must approve any such requests for information.

17.24 Records Retention

A schedule of record retention follows. Any discarding of records should follow this schedule. However, prior to discarding of records, the permission of the Chief Financial Officer is required to ensure that they have not reason that an exception should be made to the policy. All discarded documents are to be shredded.

For tax purposes, records should be maintained until the expiration of the statute of limitations. Generally, that period expires three years after the later of the due date of the return or the date filed. While there are a few exceptions to this rule, the three-year period normally should be adequate.

For non-tax purposes, records should be maintained only as long as they serve a business purpose or until all legal requirements are met. Unfortunately, there are not specific standards that will cover all situations.

RECORD RETENTION SCHEDULE

Type of Retention Period Record	(Years)
Articles of Incorporation	Permanent
Assets Records	7 years
Accounts Receivable ledger	7 years
Accounts Payable ledger	7 years
Audit Reports	Permanent
Bank reconciliation	1 year
Bank statements	7 years
Budgets	2 years
Canceled checks-important	Permanent
Canceled checks-other	7 years
Cash Books	Permanent
Charts of accounts	Permanent
Contracts & leases	7 years
Correspondence-legal	Permanent
Correspondence-general	3 years
Deeds, mortgages and bills of sale	Permanent
Depreciation schedules	Permanent
Employee personnel records after Termination	3 years
Employee benefit plan records	7 years
Employment applications	3 years
Employee contracts	7 years
Employee disability, unemployment Claims	7 years
Employee time reports	4 years
Employee W/H & exempt cert	4 years
Expense analysis & distribution Schedule	7 years
Financial statements-year end	Permanent
Financial statements-other	7 years
General ledgers & trial balances Year-end	Permanent

Insurance records	Permanent
Insurance audit reports	Permanent
Internal reports	3 years
Inventory records	7 years
Invoices to customers	7 years
Invoices from vendors	7 years
Journals	Permanent
Minute books of directors	Permanent
Note agreements	6 years
Payroll records	7 years
Payroll tax returns	4 years
Type of Retention Period Record	(Years) - (Continued)
Petty cash vouchers	3 years
Property appraisals	Permanent
Property records	Permanent
Sales records	7 years
Sales & Use tax returns	Permanent
Subsidiary ledgers	7 years
Tax returns	Permanent
Voucher registers	7 years

18.0 SAMPLE ACCOUNTING FORMS

See **forms** on the School website in pdf format.

19.0 MAINTENANCE OF ACCOUNTING POLICIES AND PROCEDURES MANUAL

19.1 Policies

The accounting policies and procedures manual are critical to the accounting function of the School.

The Controller is responsible for maintaining the manual.

All proposed changes must be approved by Assistant Head of School for Finance & Management and Controller.

The policies and procedure manual will be dated with the date of each approved revision.

19.2 Procedures

Each year the Controller will review the manual and formulate proposed changes. This update will be completed no later than December of each year.

Whenever changes to the accounting procedures are made, a review of the accounting policies and procedures manual will be made by the Controller to determine if a revision is required.

20.0 PREPARATION OF INFORMATIONAL RETURNS

20.1 Policies

The School is required to file IRS forms 990, Form 5500 Annual Report.

The preparation of these reports will generally be contracted out to the independent accountants.

The Controller will be responsible for providing the information needed to prepare the report.

The Chief Financial Officer and Controller will review the reports prior to filing them to ensure that they are accurate and do not indicate any potential problems with the tax status of the School.

The school is required to file with NC Department of Health & Human Services, DFS-4179 Annual bingo Audit and Bingo Application for License. This is needed for the Spring Fling event in April coordinated by the Parents Association. The last time this was filed was in 2005.

Form 1098 is filed with IRS and 1099-Misc is sent out to non-personnel for services rendered to the school.

An escheat fund is established for checks not endorsed by vendors, monies are remitted to NC Escheat Fund after five years of holding in the account.

Form 941 Employer's Federal Quarterly Tax Return, Form NC-5Q Quarterly Income Tax Withholding Return and Form NCUI Unemployment Employer's Quarterly Wage & Tax Return are filed through ADP on the quarterly basis.

20.2 Procedures

The Form 990 is due to IRS on November 15th (four and one-half months after year-end).

Form 5500 is due to IRS on January 30th. The Form 5500 for Retirement plan starting in 2010 includes an audited financial statement. Two Form 5500's are prepared, one for the Retirement plan and the other is the Welfare and Benefit Plan.

The following disclosures are provided to employees and participants - SARs for Retirement and Welfare and Benefit Plan, Universal Availability, Service and Fee Disclosures.

These forms will be prepared primarily from the final audited financial statements. Additional information which is required includes a current list of the Board of Trustees, salary and benefit amounts of key personnel, a list of all donations of \$5,000 or more from individuals, corporations and foundations. The Controller will be responsible for gathering this information and providing it to the independent accountants.

ADP, our payroll software, handles the quarterly federal employment, state withholding, and unemployment returns.

21.0 PROPERTY AND EQUIPMENT INVENTORY

21.1 Policies

A facility audit of the school's property is documented and maintained by the Facility Department. The document contains sufficient information for insurance requirements.

21..2 Procedures

The A/R, Fixed Asset Accountant will maintain a database of all property and equipment owned by the School. The database will include: description, serial number, acquisition date, cost, vendor and location.

All capital assets will be depreciated over their estimated lives. The straight-line basis will be used, with depreciation charged beginning in the month that the asset is placed in service.

Depreciation schedule is set as follows:

	(Years depreciated)
Buildings Structures/shell	10-60
Plumbing/sewer	30
HVAC	15-30
Electrical	30
Sprinkler	30
Roofing	20
Interior Finishes	20
Landscaping	10
Land Improvements	20
Furniture	5-10
Lab/Audio/Visual Equipment	5
Maintenance Equipment	5-10
Other Equipment	10
Electronic equipment (copier, Software, computer, etc)	5
Buses	5-10

The School follows the practice of capitalizing land, plant and equipment with a purchased cost or donated value in excess of \$1,500.

22.0 WORKER'S COMPENSATION

23.1 Policies

School employees are required to report any injuries during their shift in campus.

23.2 Procedures

Form 18 and 19 are to be filled out by the injured employee. Form 301 will be filled out by the Payable/Payroll Administrator to report to OSHA. The Administrator will also report the incident to our Insurance Company to get a claim number. Any injuries needing medical attention will be under the worker's compensation.

23.0 RETIREMENT PLAN, VACATION & SICK LEAVE

23.1 Retirement Plan Policy and Procedure

The School offers participation in TIAA-CREF - Teachers Insurance and Annuity Association - College Retirement Equities Fund. Contributions under this defined contribution plan are applied to individual annuities issued to each participant by TIAA and or CREF. All full-time employees may begin participating in this plan on a voluntary basis on the first day of the month following employment at the School. Normal retirement age is the last day of the academic year in which age 65 is attained. After the first year of full-time service, the School will make a matching contribution of up to 5% of the employee's salary. The one-year service requirement for matching contributions is waived for employees who were able to participate in a 403(b) plan at their previous employer. After five years of full-time service, the School will match up to 6% and after ten years the matching contribution increases to 7%.

A listing of employee's name and amount withheld for the 403(b) contribution is generated through ADP. The Payable/Payroll Administrator transmits the contribution list via TIAA-CREF's secure webpage to each individual participant's account. The total amount is deducted from the General Operating Account with Bank of America utilizing the EFT method provided by TIAA. The contribution list and EFT information is reviewed and approved by the Controller. The list is filed in the A/P file. A copy is used for the journal entry for the expense and reduction of cash.

23.2 Vacation Policy and Procedure

Administration and support staff who are full-time twelve-month employees are entitled to annual vacation time based on the following years of service:

0-9 years worked earned at .83 days a month	= 2 weeks vacation
10-14 years worked earned at 1.25 days a month	= 3 weeks vacation
15 years worked earned at 1.67 days a month	= 4 weeks vacation

Vacation accrues on employee's 1st day of work but is not available for use until after 6 months of service. Vacations are scheduled in advance with prior approval from their Department Head and the Headmaster.

Unused vacation of 10 days total can be carried forward to the next year and in the event that that employee leaves employment with the school, any unused vacation days are compensated to the employee.

The vacation period is on a fiscal year from July 1 to June 30.

23.3 Sick Leave

Full time teachers will be paid for six days of absence due to illness or illness in the immediate family each year.

Twelve-month employees receive eight days per year.

Sick days can get accumulated to a maximum of 65 days in any year.

Upon termination, unused sick/leave days will lapse and there will be no compensation.

23.4 CODE OF ETHICS

Ethics in its broader sense, deals with human conduct in relation to what is morally good and bad, right and wrong. It is the application of values to decision making. These values include honesty, fairness, responsibility, respect and compassion.

The accounting key employees have a responsibility to maintain an appropriate level of professional competence by ongoing development of their knowledge and skills. Perform their professional duties in accordance with relevant laws, regulations, and technical standards. Prepare and complete and clear reports and recommendations after appropriate analyses of relevant and reliable information.

The accounting personnel have a responsibility to refrain from disclosing confidential information acquired in the course of their work except when authorized, unless legally obligated to do so. Also to avoid actual or apparent conflicts of interest and advise all appropriate parties of any potential conflict.

RESOLUTION OF ETHICAL CONFLICT

When faced with significant ethical issues, accounting personnel should follow the established policies of the school bearing on the resolution of such conflict. If these policies do not resolve the ethical conflict, such employee should consider the following courses of action:

Discuss such problems with the immediate superior except when it appears that the superior is involved, in which case the problem should be presented initially to the next higher managerial level, which would be the Head of School.