



**Accounting and Financial Operations
Policies and Procedures**

Accounting and Financial Operations Policies and Procedures

General Policies

100 Index

101 Financial Operations

- 101.1 Overview
- 101.2 Responsibilities of Financial Operations
- 101.3 Organizational Chart

102 General Ledger and Chart of Accounts

- 102.1 Introduction
- 102.2 Policy
- 102.3 Chart of Accounts
- 102.4 Control of Chart of Accounts
- 102.5 Basic Chart Structure
- 102.6 Fund Format - General Ledger
- 102.7 Categories - General Ledger
- 102.8 Base Accounts - General Ledger
- 102.9 Departments - Subsidiary Ledger
- 102.10 Fiscal Year of Organization
- 102.11 Accounting Estimates
- 102.12 Journal Entries

Revenues and Cash Receipts

103 Revenue

- 103.1 Revenue Recognition Policies

104 Contributions

- 104.1 Definitions
- 104.2 Accounting for Contributions
- 104.3 Receipts and Disclosures

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

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Responsible: Committee on Trustees

- 104.4 Disclosures of Promises to Give
- 104.5 Gift Acceptance Policy

Expenditures and Disbursements

105 Accounts Payable Management

- 105.1 Overview
- 105.2 Policy
- 105.3 Vendor Master List
- 105.4 Bids Required for Purchases
- 105.5 Receipt and Recording of Payment Requests
- 105.6 Independent Contractor Agreements
- 105.7 Check Requests and Credit Card Payments
- 105.8 Processing of Invoices
- 105.9 Vendor Discounts
- 105.10 Reconciliation of A/P Subsidiary Ledger to General Ledger

106 Travel Policy

- 106.1 Overview

107 Cash Disbursements (Check-Writing) Policies

- 107.1 Policy
- 107.2 Check Preparation
- 107.3 Check Signing
- 107.4 Mailing of Checks
- 107.5 Voided Checks and Stop Payments
- 107.6 Record-Keeping Associated with Independent Contractors

108 Petty Cash

- 108.1 Policy
- 108.2 Replenishing a Petty Cash Fund

109 Contracts

- 109.1 Overview – Signing Contracts on Behalf of the School

110 Payroll and Related Policies

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

- 110.1 Classification of Workers as Independent Contractors or Employees
- 110.2 Payroll Administration
- 110.3 Changes in Payroll Data
- 110.4 Payroll Taxes

- 110.5 Preparation of Timesheets
- 110.6 Review of Payroll
- 110.7 Distribution of Payroll

Asset Accounts

111 Cash and Cash Management

- 111.1 Policy
- 111.2 Overview
- 111.3 Establishment of Accounts
- 111.4 Bank Reconciliations
- 111.5 Cash Flow

112 Prepaid Expenses

- 112.1 Policy
- 112.2 Procedures
- 112.3 Prepaid Insurance

113 Investments

- 113.1 Policy

114 Property and Equipment

- 114.1 Policy
- 114.2 Depreciation and Useful Life
- 114.3 Fixed Assets

115 Leases

- 115.1 Classification of Leases
- 115.2 Accounting for Leases
- 115.3 Scheduled Increases in Rent Payments
- 115.4 Changes in Lease Terms

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

Liability and Net Asset Accounts

116 Accrued Liabilities

116.1 Policy

117 Notes

117.1 Policy

117.2 Accounting and Classification

117.3 Non-Interest-Bearing Notes Payable

118 Net Assets

118.1 Policy

Financial And Tax Reporting

119 Financial Statements

119.1 Policy

119.2 Standard Financial Statements

119.3 Review and Distribution of Financial Statements

120 Tax Reporting

120.1 Policy

120.2 Filing of Returns

120.3 Public Access to Information Returns

Financial Management

121 Budgeting

121.1 Overview

121.2 Preparation and Adoption

121.3 Monitoring Performance

121.4 Budget Revision

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

122 Annual Audit

- 122.1 Policy
- 122.2 How Often to Review the Selection of the Auditor
- 122.3 Selecting an Auditor
- 122.4 Preparation for the Annual Audit
- 122.5 Concluding the Audit

123 Insurance

- 123.1 Policy
- 123.2 Coverage Guidelines

124 Document Retention and Destruction

- 124.1 Policy
- 124.2 Physical and Medical Exam Records
- 124.3 Document Destruction

125 Functional Expense Allocations

- 125.1 Overview
- 125.2 Accounting for Joint Activities That Include Fund-Raising

Federal Awards

126 Administration of Grants and Contracts

- 126.1 Overview
- 126.2 Policy
- 126.3 Compliance with Laws, Regulations and Provisions of Awards
- 126.4 Preparation and Review of Proposals
- 126.5 Post-Award Procedures
- 126.6 Billing and Financial Reporting
- 126.7 Procurement Under Awards

Board Governance

127 Finance Committee

- 127.1 Purpose

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

- 127.2 Authority
- 127.3 Membership
- 127.4 Responsibilities

128 Audit Committee

- 128.1 Purpose
- 128.2 Authority
- 128.3 Membership
- 128.4 Responsibilities

101 Financial Operations

101.1 Overview

The School's Business Office is responsible for preparing financial reports for appropriate officials, board officers, and outside agencies. Written monthly operating reports are provided to the Treasurer of the Board of Trustees, the Finance Committee and the full Board of Trustees. The School's Business Office is responsible for preparing the school's annual audited financial statements which are certified by an independent Certified Public Accountant firm.

Monthly reports are also produced for department heads for the purpose of reviewing the accuracy and propriety of revenue and expense transactions made to their accounts. These reports show monthly and year-to-date revenues, expenditures, and net revenues by account. Additionally, they present the original annual budget and revised budgets for these accounts.

The Head of School oversees the following departments:

- Accounting Office
 - Accounts Payable
 - Fixed Assets
 - Contract and Grant Accounting
 - Payroll
 - Taxation and Special Funds Reporting
 - Financial Reporting/General Accounting/Auditing
 - Accounts Receivable

The Board President is an ex-officio member and oversees the following departments:

Accounting and Financial Policies and Procedures Manual

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Responsible: Committee on Trustees

Committee on Trustees
Finance Committee
Development Committee
Investment Committee
Audit Committee
Head Support Committee
All Ad Hoc Committees

The Board Treasurer chairs and oversees the following committees:

Finance Committee
Oversight of all areas of accounting, reports, investments, and audit documents
Insurance

101.2 Responsibilities of Financial Operations

The primary responsibilities of Financial Operations consist of:

General Ledger
Budgeting
Cash and Investment Management
Asset Management
Grants and Contracts Administration
Cash Receipts
Cash Disbursements
Accounts Payable
Payroll
Financial Statement Processing
External Reporting of Financial Information
Bank Reconciliations
Reconciliation of Sub-Ledgers
Compliance with Government Reporting Requirements
Annual Audit
Leases
Insurance
Accounts Receivable

Accounting and Financial Policies and Procedures Manual

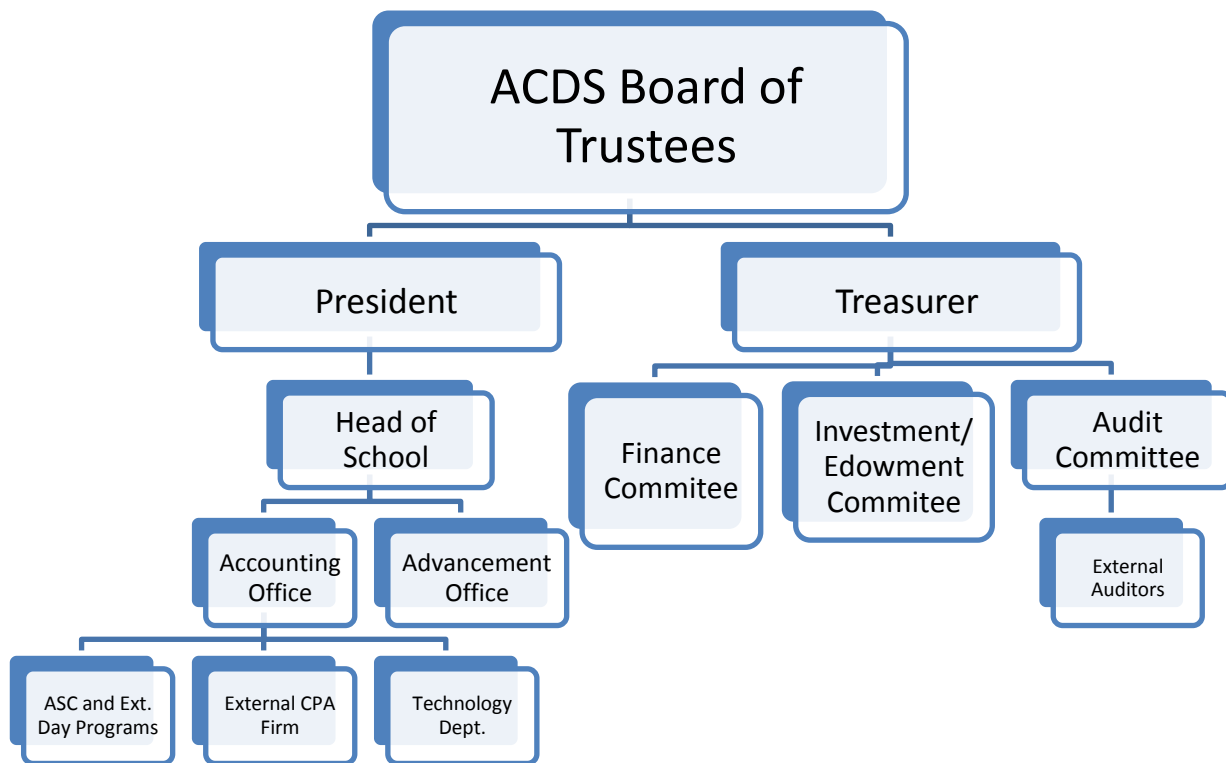
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101.3 Organization Chart

Financial Operation’s organization chart follows:



102 General Ledger and Chart of Accounts

102.1 Introduction

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of ACDS and is supported by the subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

ACDS uses the fund accounting method to record accounting transactions. Fund accounting incorporates the fund accounting method in accordance with generally accepted accounting principles and procedures in the United States of America. The accounting system was adopted for use at ACDS in October 2018 as an additional module to the software system, Admin Plus, already being utilized by the School.

102.2 Policy

ACDS's policy is to establish a chart of accounts which accumulates all financial transactions of the school. The chart includes fund/account codes, general ledger category and base codes for general ledger activity, and organizational department codes for subsidiary ledger entries.

102.3 Chart of Accounts

The chart of accounts is the framework for the general ledger system, and therefore the basis for ACDS's accounting system. The chart of accounts consists of account categories and account numbers assigned to those categories. General ledger accounts are used to accumulate transactions and the impact of those transactions on each asset, liability, net asset, revenue, expense, and gain/loss.

ACDS's chart of accounts is comprised of six types of account categories:

1. Assets
2. Liabilities
3. Net Assets
4. Revenues
5. Expenses
6. Gains and Losses

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

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Responsible: Committee on Trustees

102.4 Control of Chart of Accounts

ACDS's chart of accounts is monitored by the Head of Business Operations and seeks approval for changes from the Treasurer for changes to the chart of accounts that would change the overall structure of the financial statements. Responsibilities include the handling of all account maintenance, such as additions and deletions.

102.5 Basic Chart Structure

Each general ledger code within the chart of accounts has a 7-digit basic format.

X-XXXX-XX

X-xxxx-xx Digit 1 represents the fund.

x-**XX**xx-xx Digits 2-3 represent the six types of account categories.

x-xx**XX**-xx Digits 4-5 represent the base accounts within the account categories.

x-xxxx-**XX** Digits 6-7 represent the subsidiary ledger accounts by department.

102.6 Fund Format – General Ledger **X-xxxx-xx**

Each general ledger account code begins with the fund that it represents (digit 1). The current funds are:

- 1 – General Operations Fund
- 2 – Fundraising Fund
- 3 – Endowment Fun
- 4 – PPRRSM Fund (to be created)
- 5 – Fixed Assets Fund

102.7 Categories – General Ledger **x-XXxx-xx**

The next two digits in each ledger account code (digits 2-3) represent one of the six basic account categories. The current categories are:

- 10-19 Assets
- 20-29 Liabilities
- 30-39 Net Assets
- 40-49 Revenue – Tuition and Fees
- 50-59 Revenue – Non-Tuition
- 60-69 Expenses – Personnel Costs
- 70-89 Expenses – Non-personnel Costs
- 90-99 Gain/Loss - Interfund transfers and Elimination Accounts

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

[** See Chart of Accounts -Account and Department Listing](#)

102.8 Base Accounts – General Ledger **x-xxXX-xx**

The next two digits in each ledger account code (digits 4-5) represent further itemization within each of the 6 basic account categories of the general ledger.

102.9 Departments – Subsidiary Ledger **x-xxxx-XX**

The final two digits in each ledger account code (digits 6-7) represent the departments to which they are associated with.

[** See Chart of Accounts -Account and Department Listing](#)

102.10 Fiscal Year of Organization

ACDS's fiscal year begins June 1 and ends May 31. Any changes to the fiscal year of the organization must be ratified by majority votes of ACDS's Board of Trustees

102.11 Accounting Estimates

ACDS utilizes numerous estimates in the preparation of its interim and annual financial statements. Some of those estimates include:

1. Useful lives of property and equipment
2. Adequacy of receivables and promises to give
3. Fair market values of investments
4. Fair market values of donated assets
5. Values of contributed services
6. Allocations of income between contribution income and exchange transactions
7. Joint cost allocations
8. Allocations of certain indirect costs

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

9. Allocations of time/salaries

It is ACDS's policy that all such estimates shall be reassessed, reviewed, and approved by the Board Treasurer on an annual basis. Documentation shall be maintained supporting all key conclusions, bases, and other elements associated with each accounting estimate. All material estimates, and changes in estimates from one year to the next, shall be disclosed to the Organization's Finance Committee, the Audit Committee, and ACDS's external audit firm.

102.12 Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each such entry. Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

It is the policy of ACDS that all journal entries not originating from subsidiary ledgers shall be entered by the CPA on a monthly or annual basis.

103 Revenue

103.1 Revenue Recognition Policies

ACDS receives revenue from several types of transactions. Revenue for each of these types is recognized in the financial statements in the following manner:

1. Tuition and Fees

The tuition and fees category includes all tuition and fees assessed for educational purposes. Tuition and fees revenue are recognized on the accrual basis, that is, as the revenue is earned by the institution.

Tuition and fees are reported gross. Financial aid discounts or scholarship allowances are reported as reductions of revenue. Unearned student tuition and fees relating to future instructional periods are recorded as current deferred revenue.

2. Contributions

Contributions are distinguished from other revenue because support represents nonreciprocal receipts of income. Contribution recognition is discussed in section 104.

3. Government Grants

Government grants includes all amounts received or made available by grants, contracts, and cooperative agreements from government agencies that are not considered to be contributions. Revenue from grants is recognized as expenses when incurred. Grant revenue received and expended within the same fiscal year is included as temporarily restricted revenue and net assets released from restrictions in the Statement of Activities.

4. Auxiliary Operations

Auxiliary operations exist predominantly to furnish goods or services to students, faculty, or staff outside the realm of student programs. Auxiliary operations include food services, and Bingo. Revenues are recognized when earned, and expenses are recognized when incurred. Revenue is considered earned as expenses are incurred.

5. Interest and Dividends

Revenue is recognized when cash is received.

6. Net Unrealized Gain (Loss) On Securities

Net unrealized gain or loss represents the difference between the cost basis of the securities and the market value on the statement date, either quarterly or at fiscal year-end.

7. Net Realized Gain (Loss) On Securities

Realized gain and losses are recognized when an exchange takes place. The specific identification method is used in computing the realized gain or loss on sale of securities.

8. Realized Gain (Loss) On Sale Of Property

Recognition of gain or loss is realized when all services that need to be performed by the sell are made.

9. Other

All other income not categorized above is reported as other income. This includes rental income, such as rent of physical facilities, and consulting services.

104 Contributions

104.1 Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution – An unconditional transfer of cash or other assets to ACDS, or a settlement or cancellation of ACDS’s liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition – A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to ACDS or releases the promisor from its obligation to transfer the asset.

Restriction – A donor-imposed stipulation that specifies a use for the contributed asset that is either limited to a specific future time period or is more specific than the broad limits resulting from the nature of ACDS, the environment in which it operates, and the purposes specified in ACDS’s articles of incorporation and bylaws. Restrictions of ACDS’s use of an asset may be temporary or permanent.

Promise to Give – A written or oral agreement to contribute cash or other assets to ACDS.

Exchange Transaction – A reciprocal transaction in which ACDS and another entity or person each receives and sacrifice something of approximately equal value.

Distinguishing Contributions from ACDS receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. ACDS considers the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. ACDS’s intent in soliciting the asset, as stated in the accompanying materials;
2. The expressed intent of the entity or person providing resources to ACDS (i.e. does the resource provider state its intent is to support ACDS’s programs or that it anticipates specified benefits in exchange);

3. Whether the method of delivery of the asset is specified by the resource provider (exchange transactions) or is at the discretion of ACDS (contribution);
4. Whether payment received by ACDS is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by ACDS, or the cost of those assets plus a markup (exchange transaction);
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and
6. Whether assets are to be delivered by ACDS to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider.

104.2 Accounting for Contributions

ACDS follows not-for-profit revenue standards – Revenue Topics FASB-958-605 Contributions are recognized as revenue when pledged, unless accompanied by conditions. Unconditional contributions are recorded as unrestricted support. Unconditional contributions with donor-imposed stipulations are reported as restricted and reclassified to unrestricted assets when conditions are satisfied.

Conditional pledges are not recognized until the conditions are met. Contributions to be received more than one year in the future are discounted based on the expected date of receipt. Amortization of the discount is recorded as contribution revenue and used in accordance with donor-imposed stipulations, if any. Please refer to *Section 104 Contributions* for additional discussion and disclosures on contributions.

All promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return, compiled based on an average of rates applicable to the current year.

When support in the form of volunteer labor is received, ACDS shall record contribution income and assets or expenses, if one of the following two criteria is met:

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

Date to be reviewed: September 1, 2023

Responsible: Committee on Trustees

1. The contributed service creates or enhances a non-financial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
 - a. It is the type of service that would typically need to be purchased by ACDS, if it had not been contributed,
 - b. It requires specialized skills (i.e. formal training in a trade or profession), and
 - c. It is provided by an individual possessing those specialized skills.

Contributed services that meet either one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

Contributions of non-cash assets (artifacts, food, clothing, etc.) shall be recorded at fair market value as of the date of the gift. The value assigned to such non-cash assets shall be determined by ACDS's Development Director or Head of Business and Operations and approved by the Finance Committee. Values provided by donors shall be considered in establishing these valuations, however, the final value used for accounting purposes shall be the value determined by ACDS. Further, it is the policy of ACDS not to certify any valuation of non-cash assets provided by donors.

104.3 Receipts and Disclosures

ACDS and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, ACDS shall adhere to the following guidelines with respect to contributions received by the school.

For any separate contribution received by ACDS, it shall provide a receipt to the donor. The receipt shall be prepared by the Head of Advancement. All receipts prepared by ACDS shall include the following information:

1. The amount of cash received and/or a description of any non-cash property received;
2. A statement of whether ACDS provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received from the donor, and

3. If any goods or services were provided to the donor by ACDS, a description and good faith estimate of the value of those goods or services.

104.4 Disclosures of Promises to Give

As stated earlier, ACDS shall record an asset and revenue for unconditional promises to give. In addition, in connection with its annual financial statements, ACDS shall prepare a schedule of unconditional promises to give that discloses the annual amounts to be collected in each of the next five years, and a total amount due thereafter, less the amount representing interest as a result of discounting long-term promises to give to net present value.

In connection with conditional promises to give, which shall not be recorded on the financial statements, ACDS shall nonetheless prepare a similar schedule of future payments for disclosure in the school's annual financial statements.

104.5 Gift Acceptance Policy

ACDS may accept charitable contributions of all types of assets from any type of donor in accordance of the Board of Trustees [Gift Acceptance Policy](#).

105 Accounts Payable Management

105.1 Overview

ACDS strives to maintain efficient business practices and good cost control. The accounts payable function assists in accomplishing this goal through processing invoices and making payment for authorized transactions.

The recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on the vendor invoice for the related goods or services. The vendor invoice is supported by an approved purchase order where necessary, and is reviewed prior to being processed for payment. Invoices and related general ledger account distribution account codes are reviewed prior to posting to the subsidiary system.

105.2 Policy

ACDS policy related to processing and payment of invoices requires that:

- The vendor master file be maintained and updated on a regular basis.

- Disbursements are properly authorized.
- Invoices be processed in a timely manner.
- Vendor credit terms and operating cash be managed for maximum benefits.

105.3 Vendor Master List

ACDS academic and administrative departments are responsible for obtaining appropriate documentation to establish new vendors. When payment is submitted for a new vendor or person, the department will forward the appropriate documentation to Head of Business and Operations for processing. Head of Business will check to see that the following information is provided:

- Completed IRS W-9
- Vendor's legal name and any DBA name(s)
- Tax identification number
- Street Address
- Telephone Number

When the preceding information is not complete, all paperwork will be returned to the originator for completion. No transactions will be processed for vendors until information above is received.

105.4 Bids Required for Purchases

When purchases or contracts for goods or services are made in an amount that will exceed \$10,000, and at least 2-3 bids, obtained before the School commits to make the expenditure. Exceptions may only be approved by the Board of Trustees President or the Chair of the Finance Committee.

105.5 Receipt and Recording of Payment Requests

All accounts payable transactions must be supported by adequate documentation that explains the nature and purpose of the expense. Accounts payable transactions are processed for payment on the next check run, unless a future date is specified. Information is entered into the accounts payable module from approved invoices with appropriate documentation attached. As of October 1, 2018, accounts payable transactions are approved using a Check Request Form with appropriate documentation attached.

When the original invoice is not available, a duplicate copy may be submitted to process the payment. Verification must be made that the invoice has not been paid previously. Vendor statements shall not be used to support payments.

105.6 Independent Contractor Agreements

Goods and services performed by independent contractors should be processed using the [Vendor Agreement](#).

105.7 Check Requests and Credit Card Payments

School-related expenses may be paid for with a school check, with a school credit card, or through expense reimbursements.

For a Check:

- Use the [Check Request Form](#).
- The funds to cover the expenditure come from specific department budgets. The person responsible for the department budget is also responsible for approving the Check Request form and for filling in the General Ledger Account # as well as the Account Description on the Check Request form.
- The requestor will fill in everything else. See department listing for person responsible for each department.
- Attach an invoice or an original receipt to the Check Request form as backup for the expenditure.
- Turn the completed Check Request form into the Business Office. Allow 10 business days for the check to be written. If requested, the check may be mailed to an address indicated on the form.

For School Credit Card Payment:

Certain employees will be issued School credit cards at the discretion of the Head of School or the Head of Business and Operations. Each employee issued a credit card is responsible for the safeguarding the credit card and will be liable for any unauthorized purchases.

Issued Credit Cards

- The credit card statements are delivered at the school and distributed to each cardholder.
- Accounting for credit card transactions must be submitted to the Business Office no later than one week after the statement is received by the school. Cardholders

must consider this timing during the summer months and at other times when they are away from school.

- Proper documentation is required for each credit card purchase. This includes original receipts, unless the purchases are made online, and completion of the [Charge Request Form](#). If no approved documentation is provided for a purchase the employee could be held personally liable.
- Failure to provide complete and timely accounting may result in the loss of school credit card privileges.

Expense Reimbursements

The school will reimburse employees for expenses incurred and paid for with personal funds provided the appropriate approvals were obtained in advance from the supervising Division Head. Employees request reimbursement using the [Employee Expense Reimbursement Request Form](#). Original receipts must be attached for all expenditures. The complete form is to be turned in to the Head of Business and Operations no later than 10 business days following expenditure.

105.8 Processing of Invoices

The Business Assistant should perform the following steps to process invoices/check requests for payment:

- Check the mathematical accuracy of each vendor invoice.
- Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, if applicable.
- Verify the general ledger distribution, using the school's current chart of accounts.
- Verify the approval of the purchaser associated with the goods or services purchased. Approvals shall be documented with initials or signatures of the approving individual.
- Enter in the accounts payable system.
- Return all paperwork in to the Head of Business and Operations for verification and payment.

Recurring monthly expenditures can be approved on an annual basis by the Head of School. The approval will be in the form of a purchase order that lists the vendor, accounting information, dates the purchase order is effective and dollar amount range.

105.9 Vendor Discounts

To the extent practical, ACDS shall take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

105.10 Reconciliation of A/P Subsidiary Ledger to General Ledger

On a monthly basis, amounts due to vendors per the accounts payable subsidiary ledger are reconciled to the total per the accounts payable general ledger account (control account). All differences are investigated and adjustments are made as necessary. The reconciliation and the results of the investigation of differences are reviewed and approved by Head of Business and Operations.

106 Travel Policy

106.1 Overview

Alexandria Country Day School will reimburse any employee for lodging and meal expenses incurred while on school business. This will include professional development conferences, business meetings, and sports events as long as the employee has prior approval in writing from the appropriate Division Head. Please refer to the [Travel Policy](#).

107 Cash Disbursements (Check-Writing) Policies

107.1 Policy

ACDS's policy is to print vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers. ACDS policy requires that each check shall be signed by an individual other than the one who approved the transaction for payment.

107.2 Check Preparation

Checks are prepared on a weekly basis, or as needed, by the Head of Business and Operations. Expenditures are selected from the invoices that were previously entered by the Business Assistant discussed in Section 105. The Head of Business and Operations uses his/her discretion on what bills need to be paid at the time taking into consideration the funds available and vendor terms. Checks are then given to the Head of School for signature.

107.3 Check Signing

Check signers should examine all original supporting documentation to ensure that each item has been properly reviewed prior to signing a check. Checks should not be signed, if supporting documentation is missing or there are any questions about the disbursement.

The following positions will have signature authority on checking accounts:

- Head of School
- Board of Trustees Treasurer
- Board of Trustees President
- Board of Trustees Vice President

107.4 Voided Checks and Stop Payments

Checks may be voided due to processing errors by making proper notations in the check register and defacing the check by clearly marking it as “VOID”. All voided checks shall be retained to aid in preparation of bank reconciliation.

Stop payment orders are made for checks lost in the mail or other valid reasons. Stop payments are communicated electronically to the bank by the Head of Business and Operations. The Head of Business and Operations records the stop payment in the system to void the transaction.

107.5 Record-Keeping Associated with Independent Contractors

ACDS shall obtain a completed IRS FORM W-9 accompanied with a signed Vendor Agreement. A record shall be maintained of all vendors to whom an IRS Form-1099 is required to be issued at year end. Payments to such vendors shall be accumulated over the course of a calendar year.

108 Petty Cash

108.1 Policy

It is the policy of ACDS to use petty cash for small purchases. Accounts Payable replenishes these funds up to its authorized balance up to \$500. Petty cash is not to be used to cash personal checks for employees/staff or for travel or employee advances.

108.2 Replenishing a Petty Cash Fund

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

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All disbursements for the petty cash fund must be accompanied by a completed and approved petty cash voucher. Receipts are required for all disbursements from petty cash. It is the responsibility of the petty cash custodian to ensure that the petty cash fund is locked at all times.

It is suggested that custodians replenish petty cash funds when approximately fifty percent of the funds have been expended. However, at fiscal year-end, custodians should replenish funds within two weeks of the close of each fiscal year, to ensure expenditures are recorded in the proper fiscal year. Custodian periodically needs to review the frequency of replenishments to determine whether a fund needs to be increased, decreased, or closed.

109 Contracts

109.1 Overview - Signing Contracts on Behalf of the School

The President of the Board of Trustees as an individual who is authorized to sign contracts on behalf of the school. In addition, the Head of School may sign contracts on behalf of the school with the following limitations. The Head of School may not sign any contract that is considered a multi-year contract and exceeds \$20,000 annually. Contracts meeting these criteria must be entered into by either the Board of Trustees President or the Board of Trustees Treasurer. The Head of School also may delegate authority to specific employees and volunteers as long as that authority does not exceed the limitations set forth in this section.

All original executed contracts must be delivered to the Head of Business and Operations and retained in the Business Office.

110 Payroll and Related Policies

110.1 Classification of Workers as Independent Contractors or Employees

It is the policy of ACDS to consider all relevant facts and circumstances regarding the relationship between ACDS and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between ACDS and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

1. Behavioral control
2. Financial control
3. The type of relationship of the parties

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on the cash basis). Excluded from “compensation” are reimbursements of business expenses that have been accounted for by the contractor by supplying receipts and business explanations.

If an individual qualifies as an employee, a personnel file will be created for that individual and all documentation required by ACDS personnel policies shall be obtained. The policies described in the remainder of this section shall apply to all workers classified as employees.

110.2 Payroll Administration

ACDS operates on monthly payroll and paid on the last Friday of the month. For all ACDS employees, an official personnel file is established and maintained in the business office. The employee personnel file shall also indicate whether the employee is exempt or non-exempt under the provisions of the Fair Labor Standards Act.

The following forms, documents and information shall be obtained and included in the payroll files of all employees:

1. Direct Deposit Forms or debit cards to deposit payroll check to
2. Government withholding forms (i.e. I-9, W4, L4)
3. Employment contracts
4. Paperwork required by payroll processor
5. Benefit forms (i.e insurance, retirement)
6. Supporting documentation for payroll adjustment

7. Transcripts
8. Teaching Service Records
9. Up to date Teaching Certificates
10. Background checks

110.3 Changes in Payroll Data

It is the policy of ACDS that all of the following changes in payroll data are to be authorized in writing:

1. New hires
2. Terminations
3. Changes in salaries and pay rates
4. Voluntary payroll deductions
5. Changes in income tax withholding status
6. Court-ordered payroll deductions

New hires, terminations, and changes in salaries or pay rates shall be authorized in writing by the Head of School.

Voluntary payroll deductions and changes in income tax withholding status shall be authorized in writing by the individual employee.

110.4 Payroll Taxes

The Head of Business and Operations is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid, including state and federal taxes.

110.5 Preparation of Timesheets

Accounting and Financial Policies and Procedures Manual

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Non-exempt employees must submit a signed and approved timesheet to payroll no later than 12:00 noon on the next business day after the close of each pay period. Timesheets must be prepared in accordance with the following guidelines:

1. Each timesheet should reflect all hours worked during the pay period (time actually spent on the job performing assigned duties),
2. Timesheets are maintained utilizing an online system.
3. Errors must be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees should not use "white out" or correction tape).

110.6 Review of Payroll

Upon production of all payroll reports and checks, the Head of Business and Operations reviews payroll prior to its distribution to employees.

110.7 Distribution of Payroll

Payments to employees for salary earned are made directly to their bank(s) account (direct deposit) or held for pickup from the payroll processors office.

111 Cash and Cash Management

111.1 Policy

The school seeks to maximize its return on surplus operating funds. To meet this objective, the master depository account maintains only those funds sufficient to cover immediate needs. Excess surplus funds are transferred to investment.

111.2 Overview

The Head of Business and Operations maintains, monitors, and directs accounting functions related to cash and cash management.

111.3 Establishment of Accounts

The Head of Business and Operations establishes and maintains all school bank accounts. Requests for new accounts forwarded to the Treasurer for review and approval

must include the purpose and justification for the account. Once the request has been reviewed and the need determined, the Head of Business and Operations processes approved request, as follows:

- Contacts the bank and makes the necessary arrangements to open the account.
- Obtains bank resolutions and signature cards and signs the appropriate forms.
- Forwards the resolutions and signature cards to the President for her or his signature.
- Obtains the signature of other designated person to sign on the account.
- Returns resolutions and signature cards to the bank.

111.4 Bank Reconciliations

The CPA reviews bank statements directly from the school's financial institution, usually within five businesses following the close of each month. The CPA reviews its contents for unusual or unexplained items, such as unusual endorsements on checks, indications of alterations to checks, etc. Unusual and unexplained items shall be reported to the Treasurer immediately.

111.5 Cash Flow

The Head of Business and Operations monitors cash flow needs on a weekly basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

112 Prepaid Expenses

112.1 Policy

It is the policy of ACDS to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses, such as insurance and taxes, and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$500 will be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements will be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date will be classified as non-current assets.

112.2 Procedures

As part of the account coding process performed during the processing of accounts payable, all incoming vendor invoices will be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment will be code to a prepaid expense (asset) account code.

The Business Office will maintain a schedule of all prepaid expenses. The schedule will indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule will be reconciled to the general ledger balance as part of the monthly closeout process.

112.3 Prepaid Insurance

ACDS typically pays for insurance premiums when coverage begins. Usually, coverage is bought for a year in advance. ACDS records prepaid insurance premiums as an asset, reflecting insurance coverage for the future that has already been paid. Premiums are amortized monthly to the center/department that receives the insurance coverage.

113 Investments

113.1 Policy

ACDS's [Investment Policy](#) and [Managed Funds Policy](#) are to preserve and protect the school's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriated return on investments.

114 Property and Equipment

114.1 Policy

It is the policy of ACDS to capitalize property and equipment with a unit cost of \$2,500 or higher. Items with a unit cost below this threshold shall be expensed in the year purchased.

114.2 Depreciation and Useful Life

Both real and personal property are recorded at cost and depreciated using the straight-line method of depreciation. ACDS uses a half-year convention in the year of acquisition

and disposition. This means depreciation is calculated for a half year in the year of acquisition and disposition, regardless of how long the asset is held that year. Estimated useful lives are established by class of asset and range from 5 to 50 years.

114.3 Fixed Assets

Country Day has substantial investment in furniture and equipment. In order to maintain accurate records of these fixed assets, the Business Office will be responsible for tracking all purchases, transfers and disposals.

Fixed assets include all long-lived property, both real and personal, that is owned by ACDS, or in its Custody by lease or other specific agreements such as acquisitions under Contracts and Grants wherein the agency retains title to the property. The major classifications of assets are:

1. Real Property
2. Personal Property
3. Construction in Progress

Real Property

Real property includes all land, buildings and improvements other than buildings owned by ACDS.

Land. All land purchased or acquired by gift or bequest. If land is purchased, its value is the amount paid, including all costs such as broker fees and legal fees. If the land is acquired by gift or bequest, the land should be recorded at fair market value at the date of the gift or the bequest.

Buildings. All structures used for operating purposes. Included are all permanently attached fixtures, including machinery, and other components that cannot be removed without damaging the buildings. If a component can be removed without damaging the building, it is considered equipment and should not be included in the value of the building.

All direct costs of construction are applied to a building's value. If the building is constructed by ACDS personnel, an allocation for indirect costs will be made. Significant structural changes to a building that increases the building's usefulness, efficiency or asset life also should be accounted for and added to its value.

Improvements other than buildings. Improvements to land other than buildings, such as streets, pavements, bridges, landscaping and utility distribution systems. The valuation method is the same as for buildings.

Personal Property

Personal property includes all fixed assets that are not real property. The valuation method depends on whether an item is purchased, donated or fabricated.

If the item was purchased, the value recorded is the amount invoiced less all discounts; freight would also be included. If the item is donated, the recorded value is the fair market value on the date of the gift. If the item is fabricated, the value of the item is all direct costs associated with the fabrication, labor and installation of the item. Indirect costs should also be included.

Equipment.

Capital equipment includes all personal property having the following characteristics:

- (1) an acquisition value of \$2,500 or more per unit.
- (2) an expected useful life in excess of more than one year. This period will vary depending upon the fixed asset's class. For example, items classified as furniture and fixtures will have an expected useful life of 15 years, whereas, computer equipment will be 5 years.
- (3) An identity which is not altered materially through use.

If all three conditions are met, an item will be capitalized and depreciated. Property that fails to meet any one of these tests will be expensed in the current period.

However, if an item fails to meet the value test but has a unit cost basis of between \$500 and \$2,499, an ACDS decal will be placed on the asset and the Divisions will be held accountable.

Construction in Progress

This classification includes all projects for construction of buildings, other improvements and equipment in progress at a fiscal year-end.

Recording of Land Acquisitions.

Accounting and Financial Policies and Procedures Manual

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The master control inventory file contains no information concerning land acquisitions as adequate manual records satisfactorily document these transactions. Actual costs of property, together with the authorization of the purchase and supporting legal documents, such as deeds, wills and gift instruments are maintained in the Business Office.

Recording of Buildings and Improvements.

Buildings

Inventory data relative to buildings entered in the capital asset system database includes:

- Building code.
- Name of the building
- Original cost, or if not available, the fair market value
- Number of years to depreciate
- Residual Value
- Current year depreciation
- Accumulated depreciation

Recording of Equipment Acquisitions.

Purchases

All equipment purchases are made by the technology department and authorized by the Head of School.

Gifts

Gifts can be accepted by the different ACDS departments. When a gift of capitalizable equipment (over \$2,500) is accepted by ACDS, the Head of Business and Operations must be notified.

Physical Inventory

The Technology department conducts physical inventories every two years.

Laptops

Annually, the Technology department conducts inventory on ACDS owned laptops.

Property Disposal

Accounting and Financial Policies and Procedures Manual

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The Business Office with the assistance of the Technology department will review the fixed asset listing on an annual basis. Any changes needed to the listing will be communicated to the CPA Firm.

115 Leases

115.1 Classification of Leases

It is the policy of ACDS to classify all leases in which the school is a lessee as either capital or operating leases. ACDS shall utilize the following criteria in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to ACDS at the end of the lease term;
2. The lease contains a bargain purchase option;
3. The lease term is equal to 75% or more of the estimated economic life of the lease property; or
4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of ACDS's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

115.2 Accounting for Leases

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred. For leases with firm commitments for lease payments that vary over the term of the lease (i.e. a lease with fixed annual increases that are determinable upon signing the lease), the amount that ACDS shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability of ACDS.

All leases that are classified as capital leases shall be treated as fixed asset additions of ACDS. As such, upon the inception of a capital lease, ACDS shall record a capitalized asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the

lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The capitalized asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

115.3 Scheduled Increases in Rent Payments

Leases with fixed (determinable amounts stated in the lease) increases in monthly rental payments shall be accounted for in a manner that results in an equal monthly rent expense being reported in each month over the entire initial lease term. Accordingly, monthly rent expense in the first year of such leases shall be greater than the monthly cash payment, with the difference being recorded as a liability. This liability will be reduced in the later years of the lease when the monthly cash rent payment is less than the monthly rent expense. To the extent future rent increase are not determinable at the beginning of the lease (because they are based on inflation or other factors), the preceding policy shall not apply and monthly rent expense shall be equal to the monthly cash payment, except as noted below.

115.4 Changes in Lease Terms

Leasehold improvements and deferred rent incentives are amortized over the initial lease term. If such lease term is changed prior to the expiration of the initial lease term, it is the policy of ACDS that such amortization be revised to reflect the remaining lease term as of the effective date of the lease modification.

116 Accrued Liabilities

116.1 Policy

The accounting department shall establish a list of commonly incurred expenses that may need to be accrued at the end of an accounting period. Expenses that shall be accrued by ACDS at the end of an accounting period include:

Salaries and wages	Interest on notes payable
Payroll taxes	Vacation pay
Rent	Leases
Utilities and other accounts payable	

ACDS records a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described in the Revenue section of this manual.

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

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Responsible: Committee on Trustees

117 Notes

117.1 Policy

It is the policy of ACDS to maintain a schedule of all notes and bonds payable, mortgage obligations, lines of credit, and other financing agreements. This schedule shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender

117.2 Accounting and Classification

An amortization schedule shall be maintained for each note and bond payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statement of financial position of ACDS. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

117.3 Non-Interest-Bearing Notes Payable

For demand loans, recording of interest expense and contribution income shall be performed quarterly and at fiscal year-end, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by ACDS.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by ACDS. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan was made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amounts(s) that shall be repaid.

118 Net Assets

118.1 Policy

It is the policy of ACDS to classify net assets based upon the existence or absence of donor-imposed restrictions as follows:

Net Assets without Donor Restrictions– Net assets that are not subject to donor imposed stipulations.

Net Assets without Donor Restrictions – Net assets subject to donor-imposed stipulations that may be met either by actions of ACDS and/or the passage of time, or be permanently maintained by ACDS. When a restrictions expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets accumulated by ACDS that are not subject to donor imposed restrictions, but which the Board of Trustees of the school has earmarked for specific uses, are

segregated in the accounting records as “board-designated” funds within the unrestricted category of net assets.

Restrictions may be associated with either a time period (e.g. a particular future time period) or a purpose (e.g. specific programs). A purpose stipulation will be considered a restriction only if it is more specific than the broad limits resulting from the nature of the school, the environment in which it operates, and the purposes specified in ACDS’s articles of incorporation and bylaws.

119 Financial Statements

119.1 Policy

ACDS’s policy is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner.

The standard set of financial statements described below will be produced on a monthly basis. These financial statements shall be prepared on the accrual method of accounting.

119.2 Standard Financial Statements

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the organization. Financial statements may reflect year-to-year historical comparisons or current budget to actual comparisons.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires ACDS to make estimates and assumptions about the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

119.3 Review and Distribution of Financial Statements

Monthly and annual financial statements and supporting schedules shall be reviewed and approved by the Treasurer prior to being issued.

Once approved, a complete set of monthly financial statements shall be distributed to the Finance Committee of the Board of Trustees.

120 Tax Reporting

120.1 Policy

It is the policy of the school to comply with all obligations for tax and information returns filed with federal, state and local jurisdictions, including federal income tax returns for ACDS. ACDS also files periodic tax and information returns for property taxes, sales taxes, retirement and other fringe benefit plans, and payroll tax withholding.

120.2 Filing of Returns

The Board Treasurer shall be responsible for identifying all filing requirements and assuring that ACDS is in compliance with all such requirements. ACDS shall file complete and accurate returns with all authorities.

Federal and all applicable state payroll tax returns are prepared by the payroll processor. ACDS complies with all state payroll tax requirements by withholding and remitting payroll taxes to the state of residency of each ACDS employee.

ACDS's fiscal and tax year-end is May 31. All annual tax and information returns of ACDS, including Form 990, and Form 990-T, are filed on the accrual basis of accounting.

120.3 Public Access to Information Returns

Under regulations that became effective in 1999, ACDS is subject to federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A, and
2. ACDS's original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with the IRS, and all accompanying schedules and attachments.

121 Budgeting

121.1 Overview

Budgeting is an integral part of managing ACDS and is concerned with meeting organizational goals and objectives. The budget is designed and prepared to direct the efficient and prudent use of the school's financial and human resources. The budget is management's commitment to a plan for present and future organizational activities to ensure a going concern. It provides an opportunity to examine the composition and viability of the school's programs and activities simultaneously in light of available resources.

121.2 Preparation and Adoption

It is the policy of ACDS to prepare a budget annually. The school Head of Business and Operations and the Head of School gather proposed budget information from all areas of the school and prepares the first draft of the budget. Budgets proposed should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all budget considerations, a draft of the school-wide budget, is presented to the Finance Committee for discussion, revision, and initial approval. The final draft is then submitted to the Finance Committee of the Board of Trustees, and finally to the entire Board of Trustees for adoption.

It is the policy of ACDS to adopt a final budget at the September Board meeting. The purpose of adopting a final budget at this time is to capture the final enrollment numbers for the school year.

121.3 Monitoring Performance

It is the policy of ACDS to monitor its financial performance by comparing and analyzing actual results with budgeted results. This function shall be accomplished in conjunction with the monthly financial reporting process.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the budget department and distributed to each employee with budgetary responsibilities.

121.4 Budget Revision

After the budget has been approved by the Board of Trustees and adopted by the school, reclassification of budgeted expense amounts within a single budget area may be made by the Head of Business and Operations. Reclassifications of budgeted expense amounts across departments may be made only with approval of the Head of School. Also, reclassification and

modifications to the budget causing a significant variance increase in budgeted expenses or decrease in budgeted revenues can be made only with approval of the Board of Trustees.

122 Annual Audit

122.1 Policy

It is the policy of ACDS to arrange for an annual audit of the school's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by ACDS will be required to communicate directly with the school's audit committee upon the completion of their audit. In addition, members of the audit committee are authorized to initiate communication directly with the independent accounting firm.

122.2 How Often to Review the Selection of the Auditor

ACDS will review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm.
2. When a fresh perspective and new ideas are desired.
3. Every 5 years to ensure competitive pricing and a high quality of service. This is not a requirement to change auditors every five years, simply to re-evaluate the selection.

122.3 Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors will be considered by ACDS in selecting an accounting firm:

1. The firm's reputation in the nonprofit community.
2. The depth of the firm's understanding of and experience with not-for-profit organization.
3. The firm's demonstrated ability to provide the services requested in a timely manner.
4. The ability of firm personal to communicate with ACDS's personnel in a professional and congenial matter.

122.4 Preparation for the Annual Audit

ACDS will be actively involved in planning and assisting the school's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department will provide assistance to the independent auditors in the following areas:

Planning – The Audit Committee Chair is responsible for delegating the assignments and responsibilities to committee members and staff in preparation for the audit. Assignments will be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement – School staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

Interim Procedures – To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the school's year-end. By performing significant portions of the audit work as of an interim date, the work required subsequent to year-end is reduced. School staff will assist as much as possible in order to provide requested schedules and documents to auditors during any interim fieldwork that is performed.

Throughout the audit process, it will be the policy of ACDS to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

122.5 Concluding the Audit

Upon receipt of a draft of the audited financial statements of ACDS from its independent auditor, the Audit Committee Chair will perform a detailed review of the draft, consisting of the following procedures:

1. Carefully read the entire report for typographical errors.
2. Trace and agree each number in the financial statements and accompanying footnotes to the accounting records and/or internal financial statements of ACDS.
3. Review each footnote for accuracy and completeness.

Any questions or errors noted as part of this review will be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the Treasurer.

It will also be the responsibility of the Board Treasurer and Audit Committee to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

123 Insurance

123.1 Policy

ACDS's policy is to maintain an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of ACDS. The school seeks to maintain adequate insurance against general liability, as well as coverage for buildings, contents, fine arts, equipment, machinery and other items of value.

123.2 Coverage Guidelines

As a guideline, ACDS will arrange the following types and level of insurance at a minimum:

General Liability Aggregate	\$ 3,000,000
Excess Liability	\$ 10,000,000
Automobile (Owned, leased, borrowed)	\$ 1,000,000
Crime (Employee theft)	\$ 1,000,000
Property (Blanket Limit)	\$ 8,000,000
Educators Legal Liability	\$ 1,000,000/\$ 3,000,000
Educators Management Liability Excess	\$ 5,000,000
Worker's Compensation	Statutory Limits
Worker's Compensation (Other States)	Statutory Limits

Accounting and Financial Policies and Procedures Manual

Date adopted: October 22, 2019

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Professional Liability Excess	\$ 3,000,000	Primary/\$ 3,000,000
Directors and Officers Liability	\$ 1,000,000	
ERISA Fidelity	\$ 500,000	
Employee Benefits	\$ 1,000,000/\$ 3,000,000	

ACDS should maintain a detailed listing of insurance policies in effect. This listing should include the following information, at a minimum:

1. Description (type of coverage)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts
5. Policy effect dates

ACDS should maintain an accounting breakdown of all insurance premiums and the allocations of those premiums.

124 Document Retention and Destruction

124.1 Policy

The purpose of this policy is to assure that essential records and documents are maintained in compliance with all federal and state laws with respect to retention and destruction documents. Additionally, this policy also served to provide the systematic review of Alexandria County Day School’s documents to decide whether documents should be retained or destroyed.

This policy applies to records and documents, whether maintained in paper, electronic or any other form.

Document Retention

Alexandria Country Day School will follow the document retention list below. Documents that are not listed below, but may be substantially similar to a document listed below, will be retained for the same period of time for the document to which the unlisted document is similar.

ACDS retains records as required by law and destroys them when appropriate. The destruction of records must be approved by the Head of School or Treasurer. Please see the [Records Retention Policy](#).

124.2 Physical and Medical Exam Records

Physical and Medical Examination Records of employees of Alexandria Country Day School shall be maintained in separate files, segregated from other employment records. Access to these records is restricted. Moreover, and genetic information of employees should also be segregated in the same manner as confidential medical records.

Drug and Alcohol test records are to be kept and maintained in a secure location under lock and key.

124.3 Document Destruction

The Head of School is responsible for determining whether any documents have met their respective retention period and whether they may be destroyed. He or she shall oversee any destruction.

125 Functional Expense Allocation

125.1 Overview

It is the policy of ACDS to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function will be allocated between functions whenever possible. As one of its financial management objectives, ACDS strives to determine the actual costs of carrying out each of its program service and supporting activities.

125.2 Accounting for Joint Activities that Include Fund-Raising

ACDS engages in certain activities that simultaneously accomplish a programmatic purpose and a fund-raising purpose.

One hundred percent of the costs of each such activity will be accounted for a fund-raising costs unless all three of the criteria described below are met with respect to that individual activity. The three criteria that must met are:

1. The purpose criterion
2. The audience criterion
3. The content criterion

A complete explanation of these criteria goes beyond the scope of this policy statement. However, generally, the purpose criterion involves a call for programmatic action by the recipient (beyond simply making a donation to the school), as well as a “compensation” test and a “comparison” test. The audience criterion requires that if the audience includes prior donors or is otherwise selected (even in part) based on a perceived ability or likelihood to make a contribution, the audience must either have a need for or use of the call to action described in the purpose criterion or have the ability to take that action (i.e. the audience criterion necessitates that proper targeting of a message to individuals). The content criteria is met if the call for action helps to accomplish ACDS’s specifically stated tax-exempt mission by benefiting either the recipient or society.

It is the policy of ACDS not to apply the provisions to activities or communications that are predominantly programmatic or management and general in nature, with only an incidental element of fund-raising.

For joint activities that meet all three criteria, the school will identify costs as 1) exclusively associated with the programmatic portion of the activity, 2) exclusively associated with the fund-raising element of the activity, or 3) joint costs of the joint activity. For all joint costs associated with a joint activity, the school will develop and utilize cost allocation methods that are appropriate

for the nature of the cost and activity involved. One example of joint cost allocation method used by ACDS is the physical unit’s method, in which joint costs are allocated between program and fund-raising costs in proportion to the number of units of output that can be attributed to each purpose.

126 Administration of Grants and Contracts

126.1 Overview

The Head of Business and Operations reports to the Head of School and is responsible for all post award accounting activities related to sponsored projects. This office also maintains accounting control over all school gifts. Head of Advancement is entrusted with ensuring that all budget, revenue, and expense transactions for restricted accounts are properly recorded.

Accounting and Financial Policies and Procedures Manual

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Responsible: Committee on Trustees

Head of Advancement works closely with the Head of School and Development Committee Chair in the financial administration of awards made to ACDS. The Head of Business and Operations becomes involved when a sponsored agreement is fully executed and forwarded from the Head of Advancement. Head of Business and Operations remains involved until an agreement is financially closed.

ACDS receives financial assistance from several agencies which could include federal, state, and local governments, and private foundations. Types of funding support include:

Grants: A financial assistance award given to the organization to carry out its programmatic purpose.

Contracts: A mutually binding legal agreement where the organization agrees to provide supplies or services and the donor agrees to pay for them.

Cooperative Agreements: A legal agreement where the organization implements a program with the direct involvement of the donor. This type of agreement is a grant-type instrument.

126.2 Policy

It is the policy of ACDS to maintain a financial management system that provides accurate, current, and full disclosure of operating results. This will assist in ensuring compliance with laws, regulations, and provisions of awarding agencies and to ensure bills and required reports are filed timely.

126.3 Compliance with Laws, Regulations and Provisions of Awards

ACDS recognizes that as a recipient of funds, the school is responsible for compliance with all applicable federal and state laws, regulations, and provisions of contracts and grants. The Head of Business and Operations will cooperate with the school's independent Auditors by informing the CPA firm as to applicable laws, regulations, and provisions of contracts and grants. Also, he should communicate known instances of noncompliance with laws, regulations, and provisions of contracts and grants to the auditors.

126.4 Preparation and Review of Proposals

Individual departments are responsible for preparing proposals for projects that the department intends to pursue. All proposals shall be reviewed by Head of Advancement

Accounting and Financial Policies and Procedures Manual

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and Head of School prior to submission to government agencies or other funding sources. Final proposals shall be reviewed and approved in writing by either the Board.

126.5 Post-Award Procedures

After an award has been received, the following steps should be taken by Head of Business and Operations.

1. Verify specifications of the grant or contract. Compare the terms, time periods, award amounts and expected expenditures per the award with data included in the project digest. A CFDA (Catalog of Federal Domestic Assistance) number must be provided for each federal award. All reporting requirements under the contract or award should also be reviewed.
2. Create new general and subsidiary ledger account numbers. Review the propriety of budgeted account codes established for all receipt and expenditure categories.
3. Gather documentation and establish a file for each grant or contract. The file should contain the proposal, all correspondence regarding the grant or contract, the final signed award document and all reports submitted to the funding sources.

126.6 Billing and Financial Reporting

ACDS strives to provide management, staff and funding sources with timely and accurate financial reports applicable to all institutional awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

ACDS will prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports will be the responsibility of the Head of Advancement.

126.7 Procurement Under Awards

Procurement of goods and services whose costs are charged to awards received by the school are subject to all of the specific purchasing policies established by ACDS.

127 Finance Committee

127.1 Purpose

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Responsible: Committee on Trustees

The primary responsibility for the school’s financial reporting and management rests with senior operating management, as overseen by the school’s Board of Trustees (the “Board”). The purpose of the Finance Committee (the “Committee”) is to assist the Board in fulfilling this responsibility by providing oversight of the financial management and financial reporting function.

As a committee of the Board of Trustees, the Finance Committee assists the Board in its due diligence of the School’s fiscal health. “The Committee shall consult with the Head of School in the preparation of the annual budgets of the School and shall recommend such proposed budgets to the Board for its approval”, bylaws adopted April 2019. The Finance Committee shall review and monitor the monthly financial activities of the School. The Treasurer of the Board of Trustees shall chair the Finance Committee.

127.2 Authority

The Finance Committee should have the resources and authority necessary to discharge its duties and responsibilities. The Committee together with the Head of School have sole authority to retain and terminate outside counsel or other experts or consultants, as it deems appropriate, including sole authority to approve the firm’s fees and other retention terms. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

127.3 Membership

The Finance Committee should be a standing committee of the Board of Trustees, comprised of not less than 3 members of the Board. Members of the Committee should:

1. Have no relationship to the school that may interfere with the exercise of their independence from management and the school; and
2. Be financially literate regarding the specialized matters of the school or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

127.4 Responsibilities

The Finance Committee’s role is one of oversight, recognizing that the school’s management is responsible for financial management and for preparing the school’s financial statements. The Committee should have oversight responsibilities in certain areas of financial management and reporting as follows:

1. Review, analyze, and recommend the annual budget (next year's preliminary budget in the winter and the final budget in the fall), as well as the quarterly operating fund statements and balance sheets, advising the Board of significant deviations from the approved budget, and, when needed, consideration of requests from the staff for large non-budgeted expenditures.
2. Analyze projections and initial budget drafts prepared by the staff, approve the proposed budget (after committee refinement) prior to presentation to the full Board, and recommend priorities for future expenditures for the annual operating and capital budgets.
3. Review school insurance coverage and parent organization budgets as they relate to finances.
4. Advise the staff on the frequency, format, and content of reports to the board and to the school community on the financial status of the school.
5. Consider possibilities for full utilization of campus (e.g., summer and extended-day programs) as sources for additional school revenues.
6. Analyze, recommend and monitor capital campaign financial goals, campaign and capital costs, construction financing and re-payment structures.

The Committee should meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described above. For duties related to the audit committee, refer to section 128, *Audit Committee*.

128 Audit Committee

128.1 Purpose

The primary responsibility for the school's financial reporting and internal controls rests with senior operating management, as overseen by the school's Board of Trustees (the "Board"). The purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling this responsibility by providing oversight of the school's audit functions (external and internal), as well as other investigations (external and internal).

128.2 Authority

In fulfilling its responsibilities, the Committee is empowered to retain the school's external auditors. The Committee is further authorized to investigate any matter brought to its attention with complete and unrestricted access to all books, records, documents, facilities, and personnel of the school. The Committee also has the sole authority to retain outside counsel, auditors, investigators, or other experts in the fulfillment of its responsibilities, including the sole authority to approve the firm's fees and other retention terms. The Board will review the adequacy of this Charter on an annual basis. The Committee may form and delegate authority to subcommittees and may delegate authority to one or more members of the Committee.

128.3 Membership

The Audit Committee shall be a standing committee of the Board of Trustees, comprised of not less than three members of the Board. Members of the Committee shall:

1. Have no relationship to the school that may interfere with the exercise of their independence from management and the school;
2. Be financially literate regarding the specialized matters of the school or shall acquire such financial literacy within a reasonable time period after appointment to the Committee.

In addition, all members of the Committee should be financial experts possessing the following characteristics:

1. An understanding of generally accepted accounting principles applicable to the school and financial statements;
2. The ability to assess the application of generally accepted accounting principles in connection with accounting for estimates, accruals, and reserves of the school;
3. Experience preparing, auditing, analyzing, or evaluating financial statements of comparable complexity to those of the school;
4. Understanding of internal controls and procedures for financial reporting; and
5. Understanding of audit committee functions.

128.4 Responsibilities

The Committee's role is one of oversight, recognizing that the school's management is responsible for preparing the school's financial statements and that the external auditors are responsible for auditing those financial statements. The Committee recognizes that the school's internal financial management team, as well as, the external auditors, have more time and detailed information about the school than do Committee members. Consequently, in discharging its oversight responsibilities, the Committee is not providing expert advice or any assurances as to the school's financial statements or any professional certification as to the external auditor's services.

The Committee should have certain responsibilities in the areas of financial reporting, internal control, and organizational governance.

In the areas of financial reporting and internal control, the Committee should:

1. Oversee the external audit process, including nomination of the external audit firm, auditor engagement letters and fees, timing and coordination of audit fieldwork visits, monitoring of audit results, review of auditor's performance, and review of non-audit services provided by the external audit firm for compliance with professional independence standards.
2. Review accounting policies.
3. Review the school's annual financial statements, other reports requiring approval by the Board before submission to government agencies, and auditor opinions and management letters.
4. Determine that all required tax and information return filings with Federal, State and local government agencies are current and in compliance with reporting requirements.
5. Receive and review any other communications from the external auditors that the external auditors are required to submit to the Board or Committee under currently applicable professional auditing standards.
6. Review and discuss with management the findings and recommendations communicated by the external auditor.
7. Inquire about the existence and nature of significant audit adjustments proposed by the external auditors and significant estimates made by management.

8. Meet privately with the external auditors to discuss the quality of management, financial, accounting, and information technology, and to determine whether any restrictions have been placed by management on the scope of their external audit or if there are any other matters that should be discussed with the Committee.
9. Review the letter of management representation provided to the external auditors as part of the annual audit and inquire as to whether any difficulties were encountered in obtaining the representation letter.
10. Direct special investigations into significant matters brought to its attention within the scope of its duties.
11. Review this Charter on an annual basis and propose any recommended changes to the Board.

The following are addresses organizational governance. The Committee should:

1. Review school policies regarding compliance with laws and regulations, ethics, employee conduct, conflicts of interest, and the investigation of misconduct or fraud.
2. Review current and pending litigation or regulatory proceedings impacting organizational governance in which the school is a party.
3. Establish and monitor school procedures for receiving and handling complaints about accounting and auditing matters.
4. Review significant cases of employee or director conflict of interest, misconduct or fraud.
5. Meet regularly with the school's general counsel to discuss legal matters that may have a significant impact on the school.

The Committee should meet on a regular basis and call special meetings as deemed necessary in fulfilling the responsibilities described above.