Financial Policy

Purpose

The purpose of this policy is to outline the practices and controls used by The Snake River Montessori School (SRMS) to promote fiscal responsibility and accountability within SRMS’s financial processes.

Responsibility

Head of School
Administrative Assistant/Bookkeeper
Board of Directors

Description

SRMS feels that in order to adequately fulfill its responsibility to the public and SRMS students and families, we have established fiscal policies and processes which provide for prudent spending practices and provide accurate and timely financial reporting.

Approval

Virginia Wright
President of the SRMS Board

Airica Staley
Secretary of the SRMS Board

Date Approved: July 20, 2016
Revised Date: July 20, 2016
Review Date: September 2021
Financial Procedures

SRMS’s internal accounting controls are a series of procedures and policies designed to promote and protect sound management practices, both general and financial.

The Board of Directors of SRMS recognizes that they share the responsibility for setting a tone and standard of accountability and conscientiousness regarding the organization’s assets and fiscal responsibilities.

These policies and procedures will enhance SRMS’s ability to be financially successful and further fulfill its mission to support the education of the community.

Chart of Accounts

The chart of accounts for income and expense items correlates to the categories in the budget so that comparison reports can be easily prepared. This allows SRMS to have the ability to track and compare budget amounts to actuals, which will provide useful information on the fundability of each program and support the Board’s decision-making processes. The chart of accounts can be found on SRMS QuickBooks program. These accounts are also segregated to allow SRMS to track funds and expenses by functional category (as required by FASB 116, nonprofit organizations accounting requirements), as well as, by major programs within the school.

For each major program within the chart of accounts the SRMS Board of Directors approves a budget for the upcoming fiscal year. SRMS administrative staff have the authority to spend this funding without any additional board action. However, if funds are completely expended, the Board of Directors must approve or disapprove of any additional funding for that account.

General Accounting Policies

The Fiscal Year used by SRMS is July 1st through June 30th. The FY coincides with the end of a school year and best represents the full accounting cycle of SRMS. SRMS uses the cash-basis for accounting and reporting of financial information.

For allocating General and Administrative (G&A) expenses, SRMS uses the total cost input basis. This allows SRMS to determine the reasonableness of pricing tuition and other services.

SRMS is a nonprofit educational organization as defined under Section 501(c)(3) of the IRS code. As such, SRMS is exempt from paying Federal, State, County, or City income taxes, as well as, being exempt from sales taxes on purchased items, and Federal Unemployment taxes. As such, it is the responsibility of all those purchasing items for SRMS to ensure that SRMS does not pay sales tax. Form ST-101 should be given to vendors to show SRMS’s exemption. However, sales tax must be collected and/or paid
for items sold by the school which are not part of normal operations, and a temporary seller's permit must be obtained from the state. Assets will be capitalized if the item purchased has a useful life of more than one year and the cost is greater than $500. Depreciation will be computed annually on a straight-line basis.

Accounting information will be backed up weekly and an offsite backup will be made quarterly.

**Disbursements and Reimbursements**

The board provides standing authority for the bookkeeper to pay all routine bills based on invoices received (i.e. utilities, rent, etc.).

Reimbursements will be made no more than once a week. Receipts must be turned in by Wednesday to be paid by Friday. Receipts turned in after Wednesday will be paid the following week. **SRMS will not reimburse individuals for sales tax paid.**

All disbursements are to be made by consecutively pre-numbered checks. Checks returned or made in error will be voided and a notation entered into the accounting records.

No checks will be written or drawn to Cash.

No checks will be signed in advance, unless the Head of School will be away from SRMS for several days and there are routine bills expected to be paid during that time.

A reimbursement form is prepared for each invoice or request for reimbursement that details the date of the check, check number, payee, amount of check, description of expense, account to be charged (if the amount should be applied to multiple accounts an estimate should be provided for each applicable account), authorization signature and accompanying receipts.

All expenditures are to be approved in advance by authorized persons. Authorized persons and amounts will be assigned and approved by the Board of Directors. Signed checks will be delivered promptly (not longer than seven days).

All invoices shall be marked paid, along with the date, check number, and the amount of the check.

All requests for reimbursement (see attached reimbursement form) and other invoices will be checked for mathematical accuracy and reasonableness before approval.

Check-signing authority is limited to those who are authorized on the SRMS bank accounts.
Invoices that are from unfamiliar or unusual vendors will be reviewed and approved for payment by authorized personnel who are independent of the invoice processing function.

Receipts must be provided for all charges on account. These receipts will then be used to validate the invoice from the vendor.

**Travel Expenses**

The objective of internal controls over travel expense reimbursements are to limit improper payments and to assure that the payments are made in accordance with federal regulations for an "Accountable Plan" which allows for the reimbursement to be tax free to the employee as well as the employer.

Travel expenses must have been paid or incurred while performing services as an SRMS employee.

The traveler must submit an expense report within 60 days.

The traveler is required to return any amounts in excess of the expenses within 60 days. Pre-paid travel expenses not used must be reimbursed to SRMS.

Allowable expenses cannot exceed the established rates by the Federal government. Lodging and per diem rates are listed in Pub. 1542 (IRS.gov) The mileage rate is subject to the current federal rate.

**Payroll**

The objective of internal controls for payroll is to ensure that payroll disbursements are made only upon proper authorization to bona fide employees that payroll disbursements are properly recorded, and that related legal requirements (such as payroll tax deposits) are complied with. The following identifies SRMS's payroll policies and procedures:

Payroll will be paid only once a month. Time sheets shall be tallied, signed, and turned in by the last working day of the month. Payroll will be prepared and delivered no later than the fifth working day of the following month. Timesheets turned in after this time will be paid with the next month’s payroll.

The bookkeeper shall maintain a payroll/personnel file. This File shall include updated contracts, with current salaries, benefits, employment status, withholding information (W-4), and employment dates. Records will be retained for seven years.
Payroll-related tax withholdings, deposits, and reporting will be reviewed. This is an especially important function for the Board, since Board members may have personal liability for payroll taxes that have not been properly deposited with the appropriate government agencies.

Detailed time sheets will be used to document employee hours, including overtime. Time sheets will be signed by the employee and the director who is authorizing payment for work.

Payroll related taxes (federal income tax, state income tax, employee and employee share of social security, Medicare, and SUTA) will be withheld and paid to federal and state agencies on a timely basis.

Any other services provided to SRMS, other than by SRMS employees shall be paid based on an invoice from that vendor.

**Benefits**

SRMS provides a 403b retirement plan for its employees. This plan is administered by local vendors.

**Collections**

The objective of internal controls for collections is to ensure that payments or receipt of funds by SRM are properly deposited, recorded, and credited to the appropriate accounts or individuals. The following identifies SRMS’s collection policies and procedures:

**Tuition is due on the First of each month.**

Tuition is considered **late after the tenth** of the month.

Tuition is due on the 10th and late on the 20th for Extended Day.

A **$20 late fee** will be assessed the following month for all late tuition payments and Extended Day payments.

A **$20 fee** will be assessed for all returned checks.

Collections will be deposited by the Administrative Assistant/Bookkeeper.

Deposit receipts and copies of checks will be reconciled monthly with bank statements.

Board approval will be obtained prior to writing off any bad debts.

Checks should be deposited by Friday noon of each week at minimum or deposit checks daily if the total amount exceeds $5,000.

**Financial Reporting**
Financial reports should be prepared and provided to the Board of Directors on a timely basis or gone over with the Board Treasurer. The following reports will be prepared as stated below:

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<th>Quarterly</th>
<th>Annually</th>
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<td>Statement of Activities (Profit and Loss)</td>
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<td>State Forms</td>
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