

FINANCIAL MANAGEMENT HANDBOOK

Contents

1. Transparency with Respect to the School's Financial Position.....	2
2. Capital Expenditures.....	3
3. Personnel and Staffing	4
4. Fund Designation	5
5. General Internal Controls	8
A. Who's Who 8	
B. Absences 8	
C. Cash 8	
Authorized Signers on Bank Accounts.....	8
Cash Receipts.....	9
Cash Disbursements.....	9
Reconciliation.....	9
D. Petty Cash 10	
E. Support, Program Service Fees, Revenue and Receivables 10	
Support.....	10
Receivables.....	10
6. Overview of Records Retention.....	12
7. UNCLAIMED pROPERTY	15
8. Overview of Operations Budget Management.....	16
9. Fundraising Activities Generated by Teachers, including Grade 8 Class Trip Fundraising	20
10. Receipt of Securities	21
11. Fixed Asset Budgeting Policy	22
12. Reporting of Related-Party Transactions (need process for making sure accounting department finds out about related-party transactions involving board members (e.g. approved by board and documented in minutes). Marla's suggestion: ED asks the board secretary near the end of each fiscal year whether there were any third party transactions approved during the fiscal year (though the ED would almost undoubtedly already be aware of any such transaction for operational reasons anyway).	

The following are Three Cedars Waldorf School operations policies and procedures, each as ratified on the date specified.

All policies and procedures must comply with, and are superseded by, federal, state and local law; TCWS Articles and Bylaws, and TCWS Board of Trustees Policies.

These policies, established by the school's management, are determined according to reasonable interpretation of the TCWS Board of Trustee's Ends and Executive Limitations policies. We are grateful to the counsel of our CPA advisors for their assistance in our development of internal controls.

All TCWS employees (both paid and volunteer) must read and abide by the policies and procedures outlined in this Handbook.

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 5 December 2008

Replaces Policy Adopted on: 8 September 2008

TCWS personnel affirming adoption: Briana Bennitt, Executive Director`

Operations Policy Title:

1. TRANSPARENCY WITH RESPECT TO THE SCHOOL'S FINANCIAL POSITION

Policy Statement: The Three Cedars Board of Trustees is ultimately responsible for monitoring and ensuring the fiscal health of the organization. This includes ensuring that the school's financial operations, resources and planning are adequate to support the school's mission and vision and to sustain the school's long-term viability and stability.

Policy: The school's management ensures a balance between appropriate transparency and confidentiality with regards to the school's financial information, including:

1. Confidentiality of employee and customer (including parents' and donors') personal information, including financial and identity information.
2. Avoidance of inappropriate influences or conflicts of interest with respect to any aspects of the school's financial management.
3. Appropriate financial reporting to employees, including faculty and staff who have responsibility for management of specific budgets.
 - a. **This Handbook is updated periodically and provided to the Three Cedars community via web-hosted pdf at the Three Cedars "portal" website.**
4. Appropriate financial reporting to customers, including parents and donors.

Current teachers and staff, parents and donors, may, for example, request the most recent copy of the school's full CPA audit report and Form 990 from the Executive Director.

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 9 September 2008

Replaces Policy Adopted on: 13 June 2006

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

2. CAPITAL EXPENDITURES

Policy Statement: For purposes of ensuring that capital assets are being properly reported in the financial statements of the school, this policy distinguishes capital expenditures.

Policy: Capital expenditures are for items or projects that have a useful life that exceeds one year and have a value in excess of \$500.

1. Capital expenditures are for items that exceed \$500 per item. Prior to the fiscal year ending July 31, 2004, capital was defined as items in excess of \$200.
2. The School has elected to use straight line depreciation with useful lives defined by Guide for Asset Useful Lives promulgated by the AICPA.
3. Throughout the year, when it is deemed necessary, the Executive Director may approve capital expenditures prior to a commitment by the school.

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 9 September 2009

Replaces Policy Adopted on: 9 September 2008

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

3. PERSONNEL AND STAFFING

Policy Statement: It is the Executive Director's responsibility to ensure that faculty and administrative staff are compensated according to the Board of Trustees' policies.

The Board of Trustees hires and fires the Executive Director and holds remuneration policies for the Executive Director position. The Executive Director is mandated with ultimate authority for all operations of the school, including oversight of standards and practices for all other personnel administration, including hiring and firing, of faculty and administrative personnel.

The Executive Director hires and fires the Dean of Education and the managerial and administrative staff. The Dean of Education is mandated with personnel administration and management, including hiring and firing, of all teaching staff.

Policy: The following guidelines are meant to provide a framework for the payment of compensation and benefits for all employees of Three Cedars Waldorf School other than the Executive Director:

1. Out of our commitment to foster positive working relationships within the faculty, most teaching personnel undergo a comprehensive recruitment program, which involves faculty leadership input prior to the Dean making a decision to extend a hiring offer.
2. The ability to extend an offer of employment rests with the Dean of Education, as mandated by the Executive Director, for all paid and volunteer teachers.
3. A compensation offer letter for each coming fiscal year is extended to returning faculty and staff after careful consideration of market pricing, internal equity, projected revenues, program assumptions, and the need for full-time and part-time staffing at the school.
4. Compensation is made semi-monthly and is calculated by ADP services. All payroll tax reporting is done by ADP (or such other outside service as may be competent to provide such a service) in accordance with federal and state regulations.
5. To the extent that funds are available, paid employees are eligible to the benefits defined in the TCWS Employee Handbook according to their status of full-time or part-time.
6. The school's Employee Handbook, updated periodically, is the definitive document which governs the Employee-Employer Relationship. The Employee Handbook is maintained by the Executive Director and Dean of Education.
7. All employees are "at will" status, meaning that there are no employment contracts.

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 12 August 2010

Replaces Policy Adopted on: 9 September 2009

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

4. FUND DESIGNATION

Policy Statement: To comply with wishes of the generous donors of Three Cedars Waldorf School and to comply with prudent accounting practices, this policy sets forth common distinctions for the various funds.

Contributions to the school, including gifts in kind, may only be accepted as unrestricted gifts applied to the Operating Fund; Fund-A-Dream (temporarily restricted annual auction “wish-list” item); Grade 8 Class Trip Funds (temporarily restricted fundraising event income for each elementary class’s Grade 8 class trip); or Capital gifts (temporarily restricted for capital improvements or site development).

Donor Restricted contributions or gifts in kind greater than \$500, which any donor wishes to designate for a specific purpose other than those previously articulated by existing funds or campaigns, will be reviewed by the Executive Director prior to acceptance of the donation.

Policy: Three Cedars Waldorf School maintains the following funds in the books and records of the school.

1. Operating Fund. The Operating Fund is the general unrestricted fund that is created with deposits from tuition and fees receipts, after school care and parent-child program fees, unrestricted donations, the majority of fundraising events income, school store sales, and miscellaneous receipts. The Operating Fund summarizes expenses incurred in the operations of the school, such as salaries of teaching staff, administrative salaries, supplies, purchased services and other costs. Annually, the Executive Director sets a budget for the Operating Fund and monitors actual revenue and expense throughout the year.
2. Capital Fund. The intention of this Fund is to accumulate donor restricted monies that are specifically designated for capital items, either purchases of capital assets or improvements of the facilities and site. This Fund was originally set up in anticipation of the acquisition of the school’s permanent Bellevue site. Since that time, it has transitioned to be a more general Capital Fund used for all capital expenditures, including site expansion and purchase of assets, and remains an active Fund.
 - a. Site Development Fund. This sub-category of the Capital Fund is intended to allow capital campaign donors to earmark gifts specifically for site expansion and development.
3. Grade 8 Graduating Class Trip Funds. Up to eight individual funds are managed for the elementary grades classes for deposit of fundraising event income toward Grade 8 graduating class trips. Winter Craft Bazaar net income after expenses is distributed as follows for the November 2008 event:

FINANCIAL MANAGEMENT HANDBOOK

Winter Crafts Bazaar Distribution Table Net Proceeds to each class **December 2010** event

(net bake sale, **administrative expenses**, and
credit card fees)

Grade	Percentage
8	20
7	20
6	20
5	20
4	5
3	5
2	5
1	5
Total	100

Ideally, these funds will build annually to cover 100% of each year's Grade 8 class trip.

Any additional Grade 8 class trip fundraisers, as with any other minor fundraising events, are generally discouraged and require pre-approval and guidance in planning from the Executive Director.

4. Fund a Dream Fund. This fund is created each year with a separate annual appeal for a specific purpose. The uses of this fund can be either operating or capital costs and must be for a specific project or designated purpose. Historically, this has been an integral part of the annual auction event by soliciting restricted donor contributions for a specific purpose.

Within Fund a Dream there are separate accounts for the following designated projects

2008 Trees Restoration

2009 Landscape Buffer Trees and Plants

It is the intention that Fund-A-Dream income be expended within 12 to 18 months of receipt, and that the balance of the separate accounts are \$0 by June 30th of the succeeding school year.

History: The following is a description of historical funds, which are either in the process of being phased out have been closed out in a prior fiscal year.

5. Mortgage Pledge Fund. This Fund was created prior to the acquisition of the Bellevue site and was intended to contain the pledge revenue specifically restricted for payment of the mortgage and/or capital improvements at the new Bellevue site. The school is still collecting on some of the original pledges and those funds are used for principal and interest on the outstanding debt incurred by the school during the acquisition of the property. (Following the school's relocation to it's current, permanent site in Bellevue, this fund was also referred to as the "Monthly Pledge Fund.") The balance in the Mortgage Pledge Fund was closed out in 2002 and the balance transferred to the Operating Fund.
6. Capital Improvement Earmark (CIE) Fund. The Capital Improvement Earmark Fund is designated for the purchase of capital assets and capital improvements to the campus. The sources of funds for the CIE Fund are Executive Director designated funds which are temporarily restricted for purchase of capital assets and capital improvements. Toward the

FINANCIAL MANAGEMENT HANDBOOK

end of each fiscal year, the Executive Director may designate certain surplus operating funds to specific capital purposes. Historically, those funds have then been transferred to CIE and have been the responsibility of the Executive Director to ensure that the funds are used for those designated purposes. The balance in this fund as of July 31, 2004 and any subsequent gifts received during the 2004-2005 fiscal year, will be spent by July 31, 2005 or transferred by Executive Director resolution to the Capital Fund.

7. Faculty Discretionary Fund. The original intent of this fund was to separately account for certain one-time extraordinary expenditures incurred by an individual faculty member. It was originally intended for a personal emergency situation, where restricted donations would be sought and the individual would be compensated in excess of his/her contracted compensation. This fund is no longer used, and had a \$0 balance as of July 31, 2004.
8. Facilities Planning Fund. This fund was set up in anticipation of the location and purchase of a permanent site. Donated funds were separately identified and used for the site search, purchase, and remodel of the Bellevue site. This fund is no longer used, has a \$0 balance as of July 31, 2003 and July 31, 2004.
9. New Site Fund. The intention of this Fund was to accumulate restricted donations for acquisition of the Bellevue site. The original restrictions on the donated funds indicate that the resources can be used for site expansion and development. The Executive Director's intention is to combine the remaining resources of this Fund with the Capital Fund. This fund is no longer used, has a \$0 balance as of July 31, 2003 and July 31, 2004.
10. Fund A Dream History. The following funds have been expended in prior fiscal years, but are listed here for reference.

2004 Plaza Development and Construction
2005 Swingsets and Rubber Fallzones
2006 Playground Improvements
2007 Handwork Program

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 9 September 2009

Replaces Policy Adopted on: 5 December 2008

TCWS personnel affirming adoption: Briana Bennitt, Executive Director

Operations Policy Title:

5. GENERAL INTERNAL CONTROLS

Policy Statement: It is important when we handle the resources that the members of our community entrust to us that we balance our philosophical ideals with legal compliance and fiscal responsibility. Within the rhythm of our work, we have the opportunity to view each task as an affirmative essential step in the careful conservation of our school's funds, rather than as an unwelcome formalism best tackled with one's mind elsewhere.

Each internal control may be entity-wide or specific to an account balance, class of transactions, or application. Controls have unique characteristics: controls can be automated or manual; reconciliations; segregation of duties; review and approval authorizations; safeguarding and accountability of assets; preventing or detecting fraud, etc....

Preventive controls have the objective of preventing the occurrence of errors or fraud that could result in a misstatement of the financial statements. Detective controls have the objective of detecting an error or fraud that has already occurred that could result in a misstatement of the financial statements.

The intention of these descriptions of the specific control processes is that they contain enough detail that the reader would be able to re-perform the accounting activity.

Policy: TCWS faculty and staff will comply with the Internal Control policies and procedures detailed below.

A. Who's Who

Administrative Assistant	Robyn Michelle Hartman
Bookkeeper	Leslye Coe
Dean of Education	Monica Lander
Dean's Assistant	Geri Snyder
Executive Director/Treasurer	Briana Bennitt
Finance Coordinator	Anne McBride (volunteer)
Office & Facilities Coordinator	Seraphina Orzel
Reconciliations Reviewer	Gemini Lasswell (volunteer)

B. Absences

All personnel involved with internal control procedures are required to take vacations and other employees or volunteers are scheduled in advance to perform their functions while they are absent.

C. Cash

AUTHORIZED SIGNERS ON BANK ACCOUNTS

1. The governing board authorizes the Executive Director/Treasurer to authorize bank account signers.
2. The bank is immediately notified of all changes of authorized check signers.
3. Employees handling cash are bonded.
4. Adjustments of cash accounts are approved by the Executive Director with review by the Finance Coordinator.

FINANCIAL MANAGEMENT HANDBOOK

CASH RECEIPTS

5. Incoming mail is opened, date stamped, and initialed by two members of the Front Office Staff. Checks are restrictively endorsed "for deposit only to Three Cedars School Association" by the individuals who open the mail.
 - a. exception: bank statements are routed to the Reconciliations Reviewer with date stamp and initials on envelope, unopened to protect confidentiality of individual transactions.
6. Deposits are prepared and deposited by the Executive Director or Bookkeeper within three working days of receipt. Deposits are adequately secured until time of bank deposit.
7. For cash collected at special events, qualified volunteers will keep the collection of currency separate from employees with accounting functions. At some events, however, it is preferable to have trained administrative employees fill these roles.

CASH DISBURSEMENTS

8. Access to the QuickBooks electronic accounting records is limited to the Executive Director, Finance Coordinator, Bookkeeper, Reconciliations Reviewer, and the school's CPA firm, Peterson Sullivan. The Board of Trustees may call for direct inspection at any time.
9. All disbursements (including payroll), except petty cash disbursements, are made by check or electronic funds transfer.
 - a. adequate controls for non-check disbursements such as wire transfers are maintained.
 - b. check stocks are prenumbered, used in sequence, and safeguarded by the bookkeeper.
10. Payments are prepared by the Bookkeeper, who is independent of voucher/invoice approval.
11. Voided/spoiled checks are properly mutilated (signature portion removed) and retained.
12. Checks are made payable to specified payees and never to cash or to bearer, with the exception of checks for petty cash (\$300 or less).
13. Signing blank checks is prohibited.
14. Dollar limits have not yet been assigned for one-signature checks.

RECONCILIATION

15. Bank accounts are reconciled within 40 working days of receipt of bank statements.
16. Reconciliations are made by a dedicated volunteer who does not participate in the receipt nor disbursement of cash.
17. The Reconciliations Reviewer receives all bank statements unopened.
 - a. The Reviewer initials and dates statements and reconciliation reports before forwarding to the Executive Director for final review.
18. The Executive Director reviews completed reconciliation reports and bank statements after the Reviewer and then files.
 - a. The Executive Director initials and dates statements and reconciliation reports before filing.
19. Checks outstanding for over 90 days are periodically investigated.
 - a. Checks are pre-printed with a 60 day expiration message.
 - b. Payment may be stopped after 60 days for checks of value \$50 or greater.

FINANCIAL MANAGEMENT HANDBOOK

- c. An entry is made restoring such items to cash.
- 20. The Executive Director reviews all credit card statements and reconciles billings to credit card tracking forms for individual business charge cards held by employees
 - a. The Reconciliations Reviewer reviews the credit card statements to tracking forms for the Executive Director's business charge card.

D. Petty Cash

- 21. The school office does not maintain a petty cash supply.
- 22. Small bills "bank" to use as change for school fundraising is limited to:
 - a. School Store (maximum \$100)
 - b. Fundraising events (maximum \$500)

E. Support, Program Service Fees, Revenue and Receivables

SUPPORT

- 23. Reasonable estimates of contributions are budgeted.
 - a. Such budgets are periodically compared to actual and significant differences are investigated.
- 24. Records are kept of all donations, including the donor's name, amount, date, type of donation, if noncash, and any related restrictions of all contributions.
 - a. Anonymous donations are managed and acknowledged carefully.

RECEIVABLES

- 25. Mail is delivered to the front office.
- 26. The Front desk staff open all incoming mail with the exception of bank statements.
 - a. The Front desk staff stamp all checks with an endorsement stamp, which includes the school's name, account number and the words "for deposit only."
- 27. Deposit preparer:
 - a. makes a photocopy of each payment for deposit file (additional copy of donations to Development Coordinator)
 - b. notes on photocopy, or forms which came with the payment, to indicate its purpose, if the form that came with the check needs to be sent somewhere immediately.
 - c. creates two adding machine tapes: one from the original checks attached to the deposit slip book, one from the photocopies of the checks for bookkeeper reconciliation and verification that they agree.
- 28. TCWS uses a third party tuition collection agency, SMART Financial for 70-90% of tuition collection. SMART transmits the majority of the school's tuition income electronically, so that this cash is not passing through the office monthly in the form of personal checks, etc.
- 29. The Bookkeeper processes forms, checks deposit total, and enters the information into QuickBooks.
- 30. The Bookkeeper files the bank receipts for each deposit with a session report in a file labeled with the month and year.

FINANCIAL MANAGEMENT HANDBOOK

31. The Executive Director orders electronic transfers of funds, as necessary between the money market accounts, checking, and other savings accounts.

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 29 December 2008

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

6. OVERVIEW OF RECORDS RETENTION

Policy Statement: The Form 990 requires disclosure for record retention responsibilities of staff, volunteers, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records.

Both paid and unpaid employees of the corporation who hold governance or managerial responsibilities in the follow areas are required to follow these guidelines for records retention and destruction.

TYPE OF RECORD	RETENTION PERIOD (YRS)
<u>Accounting</u>	
Auditor's reports	Permanent
Audit work papers	5
Bank deposit slips	3
Bank statements	3
Budgets	2
Canceled checks	
Taxes	Permanent
All other	8
Cash disbursements journals	Permanent
Cash projections	2
Cash receipts journals	Permanent
Contracts (purchase and sales)	3+
Credit memos	3
Depreciation records	3+
Employee expense reports	6
Endowment records and reports	Permanent
Financial statements	
Annual	Permanent
Interim	3
Freight bills	3
General journals	Permanent
General ledgers	Permanent
Inventory lists	3
Invoices	3
Parent payments	10
Payroll records	8
Petty cash vouchers	3
Purchase journals	Permanent
Purchase orders	3

FINANCIAL MANAGEMENT HANDBOOK

Purchase records	3
TYPE OF RECORD	RETENTION PERIOD (YRS)

Accounting (cont.)

Subsidiary ledgers	
Accounts payable	6
Accounts receivable	6
Time cards and daily time reports	3
Trial balances	6

Corporate

Articles of incorporation	Permanent
Bylaws	Permanent
Construction and major equipment records	Permanent
Contract bids	3
Contract and trademark registration	Permanent
Contracts and agreements	Permanent
Correspondence	
General	6
Legal	Permanent
Deeds and easements	Permanent
Long-range plan studies	9
Maintenance and repair records	9
Minutes	Permanent
Mortgage and note agreements	6+
Reports required by federal and state depts	Permanent

Insurance

Accident reports	6
Fire inspection reports	6
Group disability records	8
Insurance policies	Permanent
Safety records	8
Settled insurance claims	10

Personnel

Employment records	5
Retirement and pension records	Permanent
Personnel files	10 (after termination)
Sickness and disability records	6

FINANCIAL MANAGEMENT HANDBOOK

TYPE OF RECORD

RETENTION PERIOD (YRS)

Student and alumni(ae)

Academic performance records	6
Admission folders	2
Comments and report to parents	2
Fund-raising files	2
Grade lists	2
Transcripts	Permanent
Yearbooks	Permanent

Taxes

IRS approval letters	Permanent
Payroll tax returns	6
Sales and use tax returns	Permanent
Tax returns	Permanent
Withholding tax forms	6

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 8 September 2009

Replaces Policy Adopted on: no prior

TCWS personnel affirming adoption: Briana Bennitt, Executive Director

Operations Policy Title:

7. UNCLAIMED PROPERTY

Policy Statement: Three Cedars files property deemed unclaimed in accordance with Washington State law, and turns over property deemed by the school to be abandoned to the Department of Revenue.

1. The Executive Director authorizes attempted re-payments of unclaimed property and oversees quarterly attempts to contact those individuals or businesses.
 - a. Due diligence letters are sent to owners between May 1 and August 1 if the school has a valid address.
 - b. Due diligence letters inform owners that there is property held for them which may be turned over to the Washington State Department of Revenue's Unclaimed Property Section due to inactivity.
2. Reports of property deemed abandoned as of June 1 for the required dormancy period are filed electronically before November 1 of each year
3. In September 2009, Three Cedars filed a "catch-up" report for property abandoned prior to 6/30/2009. Subsequently, reports are scheduled to be filed on:

FIVE TO THREE YEARS ABANDONMENT PERIOD	
Checks that were issued or had a last activity date during	Need to be reported on the report by
7/1/2006 thru 6/30/2007	November 1, 2010
7/1/2007 thru 6/30/2008	November 1, 2011
7/1/2008 thru 6/30/2009	November 1, 2012

ONE YEAR ABANDONMENT PERIOD	
Payroll & Utilities issued or had a last activity date during	Need to be reported on the report by
7/1/2007 thru 6/30/2008	November 1, 2010
7/1/2008 thru 6/30/2009	November 1, 2011
7/1/2009 thru 6/30/2010	November 1, 2012

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 12 October 2010

Replaces Policy Adopted on: 8 September 2009

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

8. OVERVIEW OF OPERATIONS BUDGET MANAGEMENT

Policy Statement: It is important in an effective mandate system for individuals to be accountable and supported in their responsibilities to manage budgets for the school.

The Executive Director authorizes individual faculty and staff members, including volunteer Coordinators, to manage discrete operations budgets each school year. Approving payables, or resolving problems with them *before* they become past due is important. If on vacation or unable to perform this task for any reason, authorized personnel may designate a temporary substitute, subject to the approval of the Executive Director.

1. **Approval:** To make sure that the funds of Three Cedars Waldorf School are being used correctly and appropriately, the Bookkeeper requires an authorized signature (from either the Executive Director, Dean of Education, Office & Facilities Coordinator, or Dean's Assistant) on each bill, invoice, check request form, purchase order, or reimbursement form ("payables") before issuing a check or electronic payment.
2. **Professional Development Budget:** is managed by the Dean of Education with input from relevant staff. The general mode for spending is a "Professional Development Request Form" authorization system so that the Dean of Education may track the impact/value of proposed spending to the faculty as a whole and evaluate each request relative to requests for full fiscal year.
 - a. Whenever individual faculty members request that general Professional Development funds be applied to books or other resources for the Faculty Library, they must first survey the Faculty for support and explain the level of full faculty support in their purchase order. E.g., "*Does the full faculty agree to prioritizing this purchase for this school year?*"
 - b. The Professional Development budget is intended to cover these expenses
 - i. Books and resources for Faculty Library
 - ii. Conferences
 - iii. Evaluation
 - iv. Mentoring
 - v. In Service and Offsite Training
3. **Class Supplies Budgets:** It is school policy that tuition and fees will cover the majority of student activities throughout the school year. The Executive Director intends, through accurate budget work, to minimize requests to parents for "out of pocket" spending and to discourage any out-of-pocket spending on classroom supplies, materials, play ground materials, field trips, and other student activities. It is also the school's policy to budget adequately so that teachers do not spend their personal funds on class supplies or other materials besides those used to create personal gifts or correspondence to students. Likewise, teachers are given as much "direct control" over their budgets as is reasonable and prudent.

FINANCIAL MANAGEMENT HANDBOOK

4. **Submission of expense reimbursements:** According to law, the school will reimburse all expenses paid by teachers out of pocket if expense reimbursement requests are submitted within 30 days of purchase.
 - a. Later submittals may be rejected and/or subject to income taxes for the employee.
5. **Student Supplies Budgets** are managed at the class and program level by individual elementary class teachers, specialty subject teachers, early childhood teachers, and after care teachers. The general mode for spending is expense reimbursements for individual purchases, but the Purchase Order system is also utilized for group discounts on wholesale and warehouse orders (such as Mercurius group orders). The class supplies budgets are intended to cover these expenses:
 - a. All class/student supplies that directly benefit the students in a particular class or program
 - b. Consumables, e.g., paper, pencils, paper, snack/food, science supplies that are not intended for longterm use (consumables) by multiple grades
 - c. Field trip expenses
 - d. Books that will stay with the class over several years
 - e. Special projects and activities
 - f. Specialty subject supplies and activities
 - g. Classroom set-up furnishings that do not qualify as assets (not for long-term use, not value of \$500+ retail, etc.)
 - h. **Important note regarding the intentions of the class supplies budgets:** Teachers and Class Coordinators may make no requests to parents for “out-of-pocket” spending during the school year for anything relating to facilities, the student’s daily schooling experience, or field trips.

Only Class Coordinators request “out-of-pocket” “pitching in” from parents for limited, pre-approved activities like gifts for teachers.

Careful attention is given to the fact that parents are already writing checks for tuition, fees, and are encouraged to make gifts to the fundraising campaigns in support of the faculty-prioritized budget, not their “own” child’s class alone.

Parents can also feel irritated by too many different requests throughout the year, so these are carefully coordinated by the school office.

Parents are encouraged to support the faculty’s budget priorities by making non-restricted gifts to the Annual Giving Campaign, rather than work-around faculty prioritized budgets by making in kind donations according to personal priorities.
 - i. **Teachers** are encouraged to direct parent inquiries regarding “gifts to the class” to the Executive Director for an explanation of whole school priorities, and are specifically instructed not to express “wish list” items to parents.
6. **Class Supplies: Student Library Books** is managed by the Dean of Education with input from the elementary class teachers. The general mode for spending is the Purchase order system so that the Dean of Education may oversee the impact/value of proposed spending to the school as a whole and evaluate each request relative to requests for the fiscal year. Whenever individual faculty members request that general Student Library Book funds be utilized rather than their individual Class Supplies funds, the Dean of Education must decide

FINANCIAL MANAGEMENT HANDBOOK

whether or not the items requested are truly likely to be used by other teachers and students over many years. The Student Library Books Budget is intended to cover these expenses:

- a. All sets of readers and individual books that may be used by multiple classes of students (not just one class) over many years.
7. **Adjustments for Withdrawals and Dismissals:** When a student is withdrawn or dismissed from a class, the class supplies fees may be reallocated at the discretion of the Executive Director to the program as a whole, as s/he finds that they are needed most.
 - a. The class teacher requests from the school bookkeeper, an adjusted class supplies budget after the withdrawal has been processed. A suggested forfeit schedule is as follows:
 - i. Withdrawal before August 1 – 100% forfeit to general program class supplies fund
 - ii. Withdrawal August 1-November 31 – 50% forfeit to general program
 - iii. Withdrawal December 1-March 31 – 25% forfeit to general program
 8. **Student supplies surplus/shortfall:** Throughout the fiscal year, the Executive Director will make adjustments to individual sub-accounts of the supplies budget so that teachers and others with responsibility for managing individual budgets will have up-to-date information regarding their spending to budget ratios. The Executive Director may designate surplus Student Class Supplies Fees to specific purchases that directly benefit the students in the program (elementary or early childhood) for which the fees were paid and are used for those designated purposes by the end of the same fiscal year.
 9. **Monthly Monitoring of class supplies budgets:** The Bookkeeper is charged with publishing monthly budget detail reports to faculty and staff so that they may review and track their year-to-date spending.
 - a. It is the responsibility of each employee to ensure that class supplies fees have been applied appropriately and correctly to each subaccount that s/he manages directly (e.g., Grade 3 Class Farm Overnight applied to that subaccount managed by the Grade 3 Class Teacher). The sooner that bookkeeping errors are noticed, the more accurately everyone can track budgets overall.

FINANCIAL MANAGEMENT HANDBOOK

These assignments are made for management of expense categories:

2010-2011 Operations Budget	Managed by
Expenses August 1, 2010 through July 31, 2010	
Accreditation & Assoc Dues	Executive Director
Adult Education	Executive Director
Benefit Evening	Benefit Coordinator
Board Governance	Board of Trustees
Class Supplies - After Care	After Care Lead Teacher
Class Supplies -Early Childhood	Kindergarten Teachers
Class Supplies - Elementary	Elementary Class and Subject Teachers
Computer Network	Executive Director
Depreciation Expense	Finance Coordinator
Development / Marketing	Executive Director
Facilities	Office & Facilities Coordinator
Finance	Executive Director
Health & Safety & Preparedness	Office & Facilities Coordinator
Insurance	Executive Director
Legal	Executive Director
Licenses and Permits	Executive Director
Mortgage Interest	Executive Director
Office Supplies-Equip	Office & Facilities Coordinator
Other Expenses	Executive Director
Personnel	Executive Director
Professional Development	Dean of Education
Postage and Shipping	Office & Facilities Coordinator
Spring Faire	Spring Faire Coordinator
Winter Crafts Bazaar	Winter Crafts Bazaar Coordinator

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 9 September 2009

Replaces Policy Adopted on: 9 September 2008

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

9. FUNDRAISING ACTIVITIES GENERATED BY TEACHERS, INCLUDING GRADE 8 CLASS TRIP FUNDRAISING

Policy Statement: It is the Executive Director's intention for the school to develop a comprehensive fundraising events plan that coordinates all fundraising activities of the school, including Annual Giving, Capital Giving, elementary class fundraising activities for individual class "Grade 8 Graduating Class Trips" (as distinct from annual class field trips), etc..

Policy: All fundraising events and activities of the school will be carefully coordinated.

1. All fundraising events of the school are reviewed and approved by the school's management to ensure that
 - a. events are planned for minimal conflict with fundraising campaigns and other annual, major school events
 - b. events do not overburden the school calendar and parents' interest
 - c. events promote donors' support of the "whole school" rather than "my own" child's class or department
 - d. events are coordinated and do not conflict with one another
 - e. events are carried out in alignment with the school's vision, mission and values
 - f. events minimize volunteer and staff burn-out
 - g. events minimize donor fatigue (being asked to support too many different activities throughout the year)
2. Teachers for Grades 5-8 may initiate the following mini-fundraiser activities for their class events in support of building their class's Grade 8 Class Trip fund:
 - a. Creation of craft items to "sell" at the Winter Crafts Bazaar
 - b. Sale of donated "concessions" during the annual Class Play intermission
 - c. Musical performances, for "payment" of a donation to Three Cedars, in the greater community (double benefit of outreach for the school)
3. All monies raised toward Grade 8 Graduating Class Trips will be held in temporarily restricted funds. See Financial Handbook Policy 3.
 - a. Funds are applied only to Grade 8 Class Trips with all proposals for spending, and general class trip planning, to be approved in advance by the Dean of Education.
 - b. Contributions earmarked toward Grade 8 Graduating Class Trips will be accepted only if the donors agree that they be distributed among all grade levels according to the distribution table (parents may not "buy" a more expensive class trip for their own child's class). E.g, if \$1,000 is donated, it will be split into each of the eight restricted class funds according to the schedule listed in this handbook.
 - c. Graduating Class Trip funds are expended by June 30 of each fiscal year.
 - d. Any surplus balance is redistributed to the younger grades' accounts by July 31 of each fiscal year.

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 9 September 2008

Replaces Policy Adopted on: 15 January 2008

TCWS personnel affirming adoption: Briana Bennett, Executive Director

Operations Policy Title:

10. RECEIPT OF SECURITIES

Policy Statement: Three Cedars will follow GAAP when booking gifts or payments to the school in the form of securities (stocks, bonds).

1. These are the steps for booking receipts of securities
 - a. confirm receipt with brokerage account: Charles Schwab
 - b. confirm simple average of high and low value of securities on date of transfer (date gift received) for capital gains
 - c. send securities thank you note to donor acknowledging the date and form of gift, but not value
 - d. sell donation as soon as possible following settlement in account
 - e. enter the actual sale price as a capital gain or loss (book the net sale, not the broker fee against the value on date of transfer)

FINANCIAL MANAGEMENT HANDBOOK

Adoption Date: 16 June 2007

Replaces Policy Adopted on: N/A

TCWS personnel affirming adoption: Briana Bennitt, Executive Director

Operations Policy Title:

11. FIXED ASSET BUDGETING POLICY

Policy Statement: Three Cedars will utilize an interim Fund Accounting method, with I&E budgets for capital spending during each fiscal year, then translate these expenditures into fixed assets at year end.

Background: Three Cedars has struggled for many years to find a way in QuickBooks for tracking fixed asset spending against budget, due to the counterintuitive manner in which QB handles fixed asset spending. When we have chosen to use the fixed asset accounts in the past, it has resulted in serious deficiencies in our ability to track and adhere to budgets.

Accountants want all fixed asset expenditures to be in fixed asset accounts. When we have chosen in the past to enter our fixed asset expenditures as expenses, then at the end of the year someone has had to review all the Facilities expense accounts to find the hundreds of transactions that represent fixed assets, which is very time-consuming.

Bookkeeping needs to be able to enter these expenditures efficiently and to have a system where each transaction can be assigned to a logical account at the time it is created.

The best solution discovered to date is utilizing a QuickBooks feature which allows us to change the type of an account from "expense" to "fixed asset," and in that one action change the type for the myriad of transactions within the account. This means that we can set up special (temporary) expense accounts during the fiscal year for bookkeeping to enter expenditures versus budget over the course of the year, management can track them all year, and then accounting can quickly and easily transform those transactions from expenses to fixed assets at the end of the year.

Here is how it works:

1. Temporary "expense" accounts, subaccounts of Operations Facilities | Improvements live in the regular Operations budget. E.g:

2007-8 Modular Building

2007-8 Building D Pre-design

2007-8 Plaza

2007-8 Furnishings and Equipment

2007-8 Playground Equipment

2007-8 Landscaping

2008-9 Modular Building

2008-9 Building D Predesign

2008-9 Plaza

2007-8 Furnishings and Equipment

2008-9 Playground Equipment

2008-9 Landscaping

FINANCIAL MANAGEMENT HANDBOOK

2. The Executive Director sets up expense budgets for these accounts, in whichever class or earmark the money is going to come from.
3. The bookkeeper enters all spending into these expense accounts and avoids using all fixed asset accounts. In entering transactions that qualify as assets, she uses one of the above accounts labeled with the year that we receive the bill.
4. After the end of the fiscal year, accounting changes these expense accounts into fixed asset accounts, moving all transactions at once using the following procedure:

Step 1: From the account list in QuickBooks, edit the account "2007-8 Modular Building" (for example) and uncheck the box labeled "Subaccount of" and choose OK.

Step 2: Edit the account again, and change the Type of the account from Expense to Fixed Asset and choose OK.

Step 3: Edit the account again, and check the box labeled "Subaccount of" and choose its new parent account, for example, "CIP."
5. If, in the future, having separate accounts for different fiscal years in our fixed asset account list causes too much clutter in the reports, the accounts may be merged. Typing "merge accounts" into the QuickBooks help box labeled "type a help question" provides instructions on how to merge accounts.