KASC BOARD

FINANCIAL POLICY

THIS POLICY AND THE FINANCIAL PROCEDURES

1. This Financial Policy sets forth rules established by the Board of Directors for the protection of KASC's assets and solvency. They shall be followed rigorously.

2. The Financial Procedures states how KASC financial transactions are to be conducted, including the employee responsible for each transaction, consistent with the rules shown in this policy. The Executive Director, after consulting with the staff, establishes these procedures effective the first day of each calendar year and may revise the procedures as needed during the year after consulting affected staff members. Responsibilities set in by the procedures must be consistent with job descriptions set by the Executive Director and Board of Directors.

KASC ASSETS

1. Limitations on Deposits. KASC's money can only be held in accounts listed in this policy.

2. Farmers Bank Account. KASC has one main bank account. All moneys received are deposited there and all bills are paid from it except those covered by small purchases or temporary cash.

3. Investments. Association money may be deposited in the FNB Investment Services or in certificates of deposit if they are not expected to be needed for at least three months. Association funds may be deposited in the American Funds Money Market or the Washington Mutual Fund if they are not expected to be needed for at least 12 months. The executive director shall determine the amounts to be deposited in those funds. Whenever money is transferred to or from one of these funds, that transaction shall be listed at the bottom balance sheet report sent to the board at the end of that month. There is a sub-account for each certificate and each investment account.

4. Temporary cash. KASC money can only be held as cash when that is the only efficient way to handle KASC business. An example is tipping. The executive director may approve allowances to cover those needs. Each employee shall provide a receipt for the cash, account for all money spent, and return all money not spent promptly.

5. Accounts receivable. These are amounts owed to the Association, recorded on an accrual basis. When the Executive Director determines that an account will never be paid, the receivable amount is removed from Accounts Receivable.

KASC LIABILITIES

1. Liabilities are amounts we owe to various vendors, creditors, government agencies, and others.

2. KASC employees have authority to incur liabilities assigned by the Executive Director. They must not go outside that authority or lead any company or individual to expect payment from KASC.

3. KASC employees must not delegate their authority to incur liabilities to another employee.

4. We incur liabilities when a KASC employee:

   a. Charges items from a vendor where KASC has a charge account approved by the Executive Director.

   b. Uses a KASC credit card.

   c. Sets up a standardized service with the Executive Director's prior approval. Standardized services are items delivered automatically and billed at a set rate for the amount used. An example is electric service.

   d. Enters a contract for goods or services. An example would be an employee with training responsibilities engaging a contractor to deliver a workshop.

e. Pays a necessary expense with personal funds and then obtains proper approval for reimbursement.

5. Accounts Payable show our outstanding liabilities, recorded on an accrual basis. Each bill is entered when it is paid.

6. Employees are bonded as necessary.

KASC NET ASSETS (EQUITY)

Net Assets is the value remaining when our liabilities are subtracted from our assets: in effect, a statement of the Association's financial worth. Our Net Assets are displayed in financial reports in the following categories:

1. Net Income shows what we have gained or lost during the current calendar year. When the Balance Sheet and Profit and Loss Statement for the same day are compared, the net income numbers should be identical.

2. Unrestricted Fund Balance shows the net unrestricted amount we have gained or lost in all past calendar years.

3. Restricted Fund Balance will be used to show any amounts we hold in trust for other organizations as part of a partnership arrangement.

KASC SYSTEM OF INCOME AND EXPENSE ACCOUNTS

1. Major Categories. KASC budgets and tracks both income and expenses in the following major categories:

a. b. Training, to include all items trackable to workshops and other learning opportunities we provide.

c. Products/Service, to include all other items trackable to specific goods and services provided for a specified fee.

Board of Directors to include the reimbursement we pay out to directors for travel

Membership - Dues paid from schools

d. Investments, to include transactions involving certificates of deposit and other investments.

e. Payroll, to include the amounts we pay out to employees and the taxes we pay on those employee payments.

f. General, to include all items not trackable to another category. 2. Subcategories. Within major categories, the Executive Director, in cooperation with the bookkeeper establishes subcategory breakdowns to help staff, board, and members understand how money is used.

3. Disclosure of Accounting Short Cuts. Here is a list of how those items are to be handled after this policy takes effect:

a. Depreciation Expense, showing used-up value of our equipment assets, is entered only at the end of each year.

b. Obsolete Equipment Expense shows that equipment is no longer useful. The Executive Director may determine how obsolete equipment is disposed of but must get board permission before taking personal possession of any obsolete item. Obsolete equipment expense is entered only when the obsolete status is recognized.

c. Unused Leave accrues and is used throughout the year. At the end of each year, we estimate the dollar value by multiplying total hours for hourly employees by the average hourly rate and multiplying total hours for salaried employees by their average rate based on a work year of 1,840 hours. We enter that amount as a liability.

d. Investment can add or lose value based on market shifts. Each quarter, we adjust these values, based on the most recent investment report from the company managing each investment.

RULES FOR INCOME

1. Orders for goods and services shall be documented by order forms, registration forms, training confirmations, purchase orders, or e-mail requests. Those records shall be retained for three years.

2. Invoices shall be entered into the computerized system of accounts when the order is received. They shall be sent to customers within 30 days after goods and services are delivered.

3. Payments received shall be entered against the appropriate account payable or cash sale. All checks shall immediately be endorsed "For Deposit Only" with KASC's name and account number. A scanned copy of the check is kept for KASC's records. All cash and checks shall be entered in the association's records and deposited in a timely manner.

4. Deposits shall be made using slips with carbon copies. An itemization of each deposit shall be made, listing the source next to the amount on the deposit slip and by printing out a report from the computerized accounting system. The carbons, originals returned by the bank, and itemizations shall be kept for two years.

5. The Financial Procedures shall identify the employee responsible for filling orders, invoicing customers, sending follow-up bills, applying payments, and maintaining records of orders and deposits.

RULES FOR EXPENSES

1. The Liabilities section on page 1 of this Financial Policy explains how expenses can be created.

2. Bills for goods and services KASC receives and for reimbursement of expenses shall be:

   a. Entered in KASC's accounting records.

   b. Submitted for approval by the appropriate employee, shown by initialing the bill. If expenditure is not supported by a vendor's bill, the employee with the most knowledge of the expenditure shall submit a written explanation for approval.

   c. Paid by checks drawn on the checking account using pre-numbered checks in order for approved bills and signed by an authorized person.

   d. Verified by monthly reconciliation of the bank and credit card accounts.

3. Monthly payroll shall be:

   a. Based on time sheets for hourly employees, with totals verified by an authorized employee.

   b. Paid out by the payroll administrator as reported by an authorized employee.

   c. Entered into the computerized accounts when the dollar amounts are known.

   d. Adjusted for mistakes only after a signed memorandum explains what mistake was made, including the hours and dollars involved. That memorandum shall be attached to the payroll records for the month in which the corrections appear in employees' paychecks.

4. Credit card purchases shall be entered into account records as they are received. Each purchase shall be confirmed by a receipt or by an explanation approved by the Executive Director.

5. Charge accounts with individual vendors shall be documented by itemized statements of the items ordered. Each list shall be initialed by the employee receiving the goods.

6. Cash shall only be withdrawn by a bank authorized employee to pay expenses.

7. The Financial Procedures shall identify the employee responsible for:

   a. Ordering items from vendors, by credit card, or by contract.

   b. Creating, signing, and mailing checks, and filing the related check stubs and bills.

c. Reporting hours and leave transactions to the payroll administrator.

d. Entering each type of transaction into our accounting records.

e. Verifying that receipts or explanations support each expenditure.

8. Stale checks not cashed within six months are voided.

MONTHLY AND ANNUAL FINANCIAL REPORTS

1. Monthly reporting. At the end of each month, the following reports shall be ~~printed out and~~ reviewed by the Executive Director and staff, and shared with the board:

a. Profit & Loss Budget Performance Report (showing comparison to the budget by major category for the current month and year to date)

b. Balance sheet by major category of assets and liabilities.

c. Cash Flow statement

d. Bank reconciliation for the preceding month

e. Credit card statement reconciliation for the preceding month

2. In addition, the Accounts Receivable Summary will be shared at board meetings.

3. Annual reporting. At the end of each year:

a. All records on the value of our assets and liabilities shall be brought up to date, including but not limited to depreciation, obsolete equipment, and changes in the market value of our investments.

4. All reports listed in this section shall be kept for a minimum of seven years. Year-end reports shall be kept permanently.

BOARD FINANCIAL REVIEW

The Board shall review Association financial practices annually by the following method:

1. At the July board meeting, the president shall appoint a committee that includes at least one parent, teacher, and principal director.

2. The Committee will meet at the KASC office or virtually to review financial practices before the November board meeting.

3. The Committee will present an annual report at the November board meeting.

4. The board shall review and accept the report in its official minutes.

DEFICIT SPENDING AND RESERVES

1. KASC shall not incur liabilities that exceed the value of its liquid assets. Liquid assets include bank accounts, certificates of deposit, and investments, but do not include equipment.

2. To make such deficit spending unlikely, KASC sets a goal of having a reserve equal to at least 25% of its annual budget in investments outside its bank accounts.

At the annual board meeting to approve the budget for the next fiscal year, the Executive Director will advise the board on balance of reserve accounts and make a recommendation to the board as to whether more funds need to be added to the reserve accounts or not.

3. Whenever such a reserve is not in place:

a. If the reserve drops below 2 months' expenses, the Executive Director shall consult the staff and implement austerity measures.

b. If the reserve drops below 1 month's expenses, the Executive Director shall advise the executive committee they shall hold an emergency board meeting to review and approve budget adjustments.

BUDGET

1. KASC operates on an annual budget organized by major categories of income and expenses.

2. By January 20th each year, the Executive Director, after consulting the staff and the Strategic Plan, submits a budget to the board showing all anticipated receipts and expenditures for the coming calendar year.

3. By January 30th each year, the Board reviews, amends, and adopts the budget.

4. During the calendar year, after consulting the staff, the Executive Director may recommend budget amendments to reflect significant changes in anticipated receipts and expenditures.

5. The Board shall ask the Executive Director for explanations whenever receipts or expenditures shown in a financial report appear out of line with the budget.

ACCOUNTING SAFEGUARDS

1. Separation of banking functions. A different employee shall be responsible for depositing money, withdrawing money, and reconciling the bank statement.

2. Separation of credit and vendor charge functions. A different employee shall be responsible for placing orders and for approving payment of the balance due.

3. Bonding is required for employees who handle bank deposits, sign checks, hold credit cards, or order goods and services using vendor charge accounts.

4. Bank statements shall be reconciled monthly. A full reconciliation report shall be printed for each month, signed by the person who completed the reconciliation, and filed.

5. Checks received shall be endorsed: “For deposit to the Kentucky Association of School Councils Account” with the account number of KASC’s checking account.

6. Cash received shall be documented by pre-numbered receipts to the customer that generate carbon copies, with the original going to the customer and the carbon being kept for five years.

7. Deposits shall be made in a timely manner of all cash and checks received using a deposit book that generates carbon copies. One employee makes the deposit and a separate employee posts it to QuickBooks.

8. Payments made by check shall be documented by a receipt or invoice with the check number noted or the check stub stapled to it, and filed by vendor. If there is no receipt or invoice, the Executive Director shall sign a memo of explanation to be filed in place of the bill.

10. Withdrawals from the KASC bank account shall be made only by pre-numbered checks or approved electronic payments. Withdrawals shall be verified by monthly reconciliation of the bank statement.

11. Cash shall be withdrawn from the KASC bank account only under the rules governing “Temporary Cash” stated on page 1 of this Financial Policy.

12. Returned checks from customers shall be re-deposited on a separate deposit slip indicating that a returned check is involved. If returned checks are deemed uncollectible, the amount of the check shall be entered as an uncollected debt.

13. Void checks for KASC accounts shall be filed with the receipts and invoices for that account. Checks shall be

void by printing the word “Void” across the face of the check. If the check has been entered in the account ledgers, the entry shall be marked “Void.”

14. Personal purchases by an employee shall never be permitted using KASC checks, cash, credit cards or vendor charge accounts. Any breach of this rule, along with the action taken in response, shall be reported to the Board of Directors as soon as it is discovered.

15. Staff members may not sign checks to themselves or members of their families.

16. Receipts for each expenditure is checked by an employee other than the one who made the expenditure.

17. Staff do not sign payroll checks.

18. No vendor shall be paid more than $4,000 in one month without approval by the Executive Director. No vendor shall be paid more than $8,000 in one month without the Executive Director approval and a written report to the Board stating who was paid, the amount and the reason.

19. All income and expense entries shall be checked by a second employee for inaccuracies. The Financial Procedures shall identify the employee(s) responsible for that work. When staffing allows, there shall be two employees who are trained to perform this task.

ADOPTED: August 16, 2003
AMENDED OR REVISED: 1/04
AMENDED OR REVISED: 4/05
AMENDED OR REVISED: 11/05
AMENDED OR REVISED: 4/06
AMENDED OR REVISED: 7/07
AMENDED OR REVISED: 7/10
AMENDED OR REVISED: 3/19
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AMENDED: 3.6.21
AMENDED: 3.4.23
AMENDED: