Middle States Association

FINANCIAL OPERATIONS

Section 1: Budgets.
Annually, at the spring meetings of the Commissions on Elementary and Secondary Schools, the President will present a budget for the next fiscal year for review/revision by the Finance Committee and adoption by the Commissions.

Budget Development Calendar. The proposed MSA-CESS budget shall be reviewed by the Finance Committee prior to the spring MSA-CESS meeting and presented to the full Commission for approval at that meeting.

Accounting Practices.

a. The finances of the Commissions shall be maintained in accordance with generally accepted accounting principles as practiced in the United States.
b. The accounts will be listed and described in a chart of accounts. The chart of accounts will be reviewed regularly by the President and the appropriate committee to determine whether descriptions are adequate and uses for each account are appropriate.
c. Internal controls are monitored and periodically assessed to determine if they are working accurately and effectively and are reviewed annually by external independent auditors.

Periodic Budget Reconciliation.

a. Semi-annual financial reports shall be prepared with an analysis of actual income and expenditures compared to budgeted income and expenditures.
b. The President will inform the appropriate committees and the full Commissions of any circumstances that may alter appreciably the budget and recommend any adjustments to the plan that may be needed.

Reports to the Commissions.

a. The President shall provide financial reports to the MSA-CESS Finance Committee at each of the Committees' regularly scheduled or special meetings. The reporting shall include, as a minimum, reports of:
    1) Status of the Commissions' budgets
    2) Status of the Commissions' investments
    3) Financial issues requiring action by the Committees
b. The MSA-CESS Finance Committee shall provide financial reports to the full Commissions at their regularly scheduled and special meetings.

Revisions to the Approved Budget. The MSA-CESS Finance Committee shall have the authority to make revisions to the approved annual budget.

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Section 2: Investment Portfolio

The Commission on Elementary Schools and the Commission on Secondary Schools shall each establish and maintain a separate investment portfolio. The investment portfolio is accumulated funds intended for use only in cases of emergency, planned capital acquisition, or unexpected opportunity. The nature of these funds is that they should provide reasonable investment return, balanced with necessary liquidity and accessibility as needed. Therefore, the investment portfolio does not include the Commissions' investment in real estate or other assets such as furniture and equipment. The investment portfolio is to be maintained separate and distinct from the Commissions' operating funds.

Purposes of Investment Portfolio. The Commission on Elementary Schools and the Commission on Secondary Schools will each maintain an investment portfolio for the following purposes:

a. To provide a cushion of funds for emergency operational needs and unforeseen contingencies, circumstances, and/or calamities;
b. To fund the acquisition or planned improvement of major capital assets of the Commissions; and
c. To fund the design and initial implementation of new projects not funded by the operational budget, but which are directly related to the achievement of the Commissions' missions, and are critical to the accomplishment of the Commissions' strategic plan;

Investment Portfolio's Balance.

The investment portfolio balance for each Commission shall be established and maintained at a level considered appropriate to the Commissions' Finance Committee and reasonable relative to the respective Commissions' annual operating expenditures.

Management of the Investment Portfolio. Management of the investment portfolio will be the responsibility of the President of the Commissions and the fiduciary responsibility of the appropriate committee (MSA-CESS Finance Committee) within the requirements and parameters of this policy.

Authorization of Expenditures from the Investment Portfolio. Expenditures from an investment portfolio must be authorized by the appropriate committee (MSA-CESS Finance Committee) delegated through this policy by the full Commission.

Responsibilities of the Committees Regarding the Investment Portfolio. The MSA-CESS Finance Committee shall assume the following responsibilities with regard to the investment portfolio of their respective Commission:

a. Approve the use of investment portfolio;
b. Review the investment portfolio balance on at least an annual basis;
c. Report to the appropriate Commission at their regularly scheduled (or special) meetings the status of the investment portfolio.

Section 3: Investments.

This policy establishes guidelines for establishing and managing the investment portfolios of the Commission on Elementary Schools and the Commission on Secondary Schools.

Responsibilities of the Commissions' Committees.
The Finance Committee of the Commissions on Elementary and Secondary Schoolswill:

1) Review and approve changes to the Commissions' investment policy;
2) Review the status of the Commissions' investments on a periodic basis;
3) Make decisions regarding investment strategies and vehicles for Commissions' investment portfolio ;
4) Report periodically to the Commissions regarding investment strategies, vehicles, and results; and
5) Ensure that all unused or unallocated money at the end of each fiscal year is invested according to this policy.
6) Review and recommend changes to the Commission's investment policy and guidelines;
7) Recommend investment strategies and vehicles for Commission's investment portfolio;
8) Review the status of the Commission's investments on a periodic basis;
9) Report periodically on investment strategies, vehicles, and results;

Management of the Commissions' Investments. Management of the Commissions' investments is the responsibility of the President in consultation with the portfolio manager and within the policy and guidelines approved by the Finance Committee.

Investment Vehicles. The Commissions' investment portfolio may be invested in vehicles approved by the Finance Committee and may include investment through external programs and investment professionals operating in a manner consistent with this policy and guidelines.

Investment Principles. Each Committee shall establish and obtain approval by its Finance Committee of an Investment Policy and Guideline(s), which shall provide direction to its Investment Committee for managing the investments. Such Investment Policy and Guideline(s) shall define investment objectives, choices (alternative vehicles), target asset mix(es), Performance Objectives and overall Guidelines.

Section 4: Audit and Financial Record Keeping.

Audit and Management Letter.

a. The President of the Commissions shall, annually, distribute audited financial statements and management letters for the Middle States Association Commissions on Elementary and Secondary Schools to the appropriate committee (MSA-CESS Finance Committee) and to the full Commissions at their semi-annual meeting in the fall.
b. The Audit Committee (members of the Finance Committee) will meet following the presentation of the audit, with the external auditors, to ensure all necessary disclosures and significant accounting policies are appropriately presented.
c. The President shall have the authority to distribute the audit to other individuals or firms as requested or as deemed necessary by the President.

d. The Commissions shall require the President to take corrective actions for any issues reported in the audited financial statements and audit management letter.
e. The President shall report all corrective actions taken to the Finance Committee of the Commissions at their next regularly scheduled or special meetings.
f. The Commission on Elementary and Secondary School's Finance Committee will require a comprehensive review of the current auditing firm at least once every five years.

Loans Prohibited. The Commission on Elementary and Secondary Schools shall not make monetary loans to their employees or member schools under any and all circumstances.

Mailing List Distribution and Sales Prohibited. The Commissions on Elementary and Secondary Schools shall not distribute or sell its mailing lists.

Section 5: Insurance.

Policies. Insurance policies are maintained by the Middle States Association of Colleges and Schools on behalf of the Commissions. These policies cover general liability, foreign liability and travel, crime insurance, accreditation insurance, workers' compensation, educators' liability, and cyber insurance.

Levels of Insurance. The Commissions shall maintain adequate levels of insurance against fire, theft, accident, liability, D & O, etc. The President will annually submit a written outline from the Association's insurance broker of the Association's insurance policies, including type of coverage, amount of coverage, broker's recommendations, etc., to the President.

Review of MSA's Insurance Coverage. The Commission on Elementary and Secondary School's Finance Committee will require a comprehensive review of the types and limits of the Commissions' insurance coverage at least once every five years. The purpose of the review is to ensure that coverage and limitations adequately meet the needs of the Commissions and their staff.

Section 6: Grants.

- The Commissions encourage and support the President in the quest for grant funds. However, the Commissions reserve the right to determine whether they will accept grants.
- The Commissions on Elementary and Secondary Schools do not respond to solicitations from member schools.

Section 7: Contractual Relationships.

Approval of Contracts, The President shall have the authority to negotiate and approve contracts for all normal operating expenses that are within the limits of the approved budget. Extraordinary

and/or emergency expenses that exceed authorized budget limits shall first be approved by the MSA-CESS Finance Committee, as appropriate.

Bids and Quotation Requirements. The President shall ensure that quality merchandise and services are provided as economically as possible. In awarding contracts, the President shall adhere to the intent of the following regulations:

a. Expenditures of funds for equipment, materials, and services with a value up to $10,000 may be made without calling for quotations.
b. Expenditures of funds for equipment, materials and services with a value of $10,000 or more and within the limits of the approved budget require at least three bids/quotations unless continuing with a current contractor or vender. However contracts must be reviewed every five years.
c. Contractual and Honoraria Relationships with Consultants. An agreement between the Commissions and consultants shall be signed by both parties prior to engagement and performance of duties. The agreement shall specify the duties to be performed and the remuneration to be provided by the Commissions.

Section 8: Long-Range Financial Planning.

- The President shall prepare a three-year Long-Range Financial Plan to plan for the financial viability and stability of the Commissions and present it to the MSA-CESS Finance Committees for their approval.
- The President shall update the Long-Range Financial Plan annually and present it to the MSA-CESS Finance Committee for their review and approval at their annual fall meetings.
- The MSA-CESS Finance Committee shall present the updated Long-Range Financial Plan to the Commissions for their information at their annual fall meetings.