

Adler Graduate School

Financial and Investment Policies

Amended and Approved August 18, 2020

Financial Policies

Adler Graduate School (AGS)

Updated and Approved by the AGS Finance Committee on August 18, 2020

The Adler Graduate School Finance Committee (AGS Finance) is responsible for establishing financial and investment policies and the Adler Graduate School Board (Board) is responsible for approving the financial and investment policies.

Financial policies are designed to:

- Protect the assets of the organization
- A foundation for an effective system of internal controls
- Ensure the maintenance of accurate records of the organization's financial activities
- Provide a framework for the organization's financial decision making
- Establish operating standards and behavioral expectations
- Ensure compliance with federal, state, and local legal and reporting requirements.

Authority

The AGS Finance Committee is responsible for establishing financial and investment policies. The intent of the policies is to provide the Board with reasonable assurance that AGS's financial matters are being handled in a responsible, prudent and thorough manner and that the Board is meeting its fiduciary responsibilities.

Effective July 2020, AGS entered into a contractual agreement with Clifton Larson Allen (CLA) to provide financial management services. Employees of CLA are serving in the roles of CFO and accountant. In this policy document, the term "Finance Leader" indicates the role (accountable and responsible) that the employee of CLA serves as AGS' CFO regarding specific financial policies.

Accounting Procedures

Basis of Accounting

The accounting principles of AGS are consistent with Generally Accepted Accounting Principles, and follow the accrual basis of accounting so revenue and expenses are identified with specific periods of time. Expenses are recognized when services are performed, goods are received, or obligations are incurred. Tuition is recognized when students at the beginning of each term. Other receipts are recognized primarily when received. The basis for presentation of financial results uses a "fund" accounting method.

Bank and Financial Account Reconciliations

The AGS Staff Accountant shall prepare a monthly reconciliation of all bank and investment account(s). AGS' Finance Leader and Board Treasurer will review and approve the reconciliations each month.

Monthly Close

AGS' Finance Leader will close the books for the prior month within the first five to seven working days of the following month. AGS' general ledger is

closed each month for reporting and a final close annually after the financial statement and federal award audits have been approved by the Board.

Recordkeeping and Document Retention

All transactions recorded in the general ledgers must be accompanied by appropriate documentation or evidence. This documentation must also include appropriate approvals and, if applicable, must show the preparer, reviewer, and approvers' signatures.

AGS's standard is to store its financial data in electronic form in the electronic from in the Blackbaud, Financial Edge system in addition to storage in addition to storage on the Finance Staff designated site or drive.

Confidential information (i.e., payroll) is securely stored in locked office of either HR and/or the Accountant. Access and passwords are administered by AGS' IT Director.

Paper copies of documents supporting financial transactions will be retained for seven years beyond the year the document was created.

Data Security

All financial information is maintained on the server of the company with which AGS contracts for its general ledger maintenance (Blackbaud). All payroll and human resource information is maintained on the server of the company with which AGS contracts for its payroll processing and human resource management system (PayCor). All student information is maintained on the server of the company with which AGS contracts for its student information system (Jenzabar).

Internal Controls

Properly designed, implemented, and maintained internal controls are a system of checks and balances, intended to:

- Ensure the effectiveness of the financial management system (FMS);
- Ensure that financial objectives are met;
- Identify irregularities;
- Prevent or minimize waste, fraud and abuse; and
- Assist in resolving discrepancies that may be accidentally introduced into the operations of the business.

Lines of Authority

The AGS Finance Committee is responsible for establishing financial and investment policies. The intent of the policies of AGS is to provide the Board with reasonable assurance that AGS's financial matters are being handled in a responsible, prudent and thorough manner and that the Board is meeting its fiduciary responsibilities.

Segregation of Duties

AGS is a small organization and the accounting and reporting function is done by a small staff, which precludes proper segregation of duties. Therefore, the Finance Committee has established certain policies and oversight and monitoring practices to provide sound internal controls. The AGS Board Treasurer reviews the check register, credit card transactions, reimbursements to the President, and financial institution reconciliations on a monthly basis.

Delegation of Financial Authority Policy

Purpose

The Delegation of Financial Authority Policy is a policy that has been established by the Board of Directors of the Adler Graduate School to:

- Establish financial matters specifically reserved for determination by the Board and those financial matters delegated to management;
- Establish financial matters reserved for specific roles in the organization; and,
- Establish expense approval limits by role.

Financial matters specifically reserved for the Board include:

- Financial matters involving amounts greater than a specified limit;
- Approval of contracts and obligations greater than a specified limit;
- Approval of the annual operating and capital expenditure budgets.

Matters delegated to management

Other than as expressly provided in this policy, all matters not specifically reserved for the Board and necessary for the day-to-day management of the organization, and the implementation of organizational objectives, are delegated to management. Management may sub-delegate where appropriate. The organization's policies and procedures provide guidance on the execution of specific roles and responsibilities. Management shall be responsible for:

- Ensuring that the organization's day-to-day operations are carried out in accordance with all legal and regulatory requirements;
- Ensuring that the organization's policies, procedures, and decisions are undertaken in a manner that is prudent, equitable, and consistent with commonly accepted business practices and professional ethics;
- Ensuring the organization's assets are protected, adequately maintained and not placed at unnecessary risk;
- Ensuring that the Board priorities are reflected in the allocation of resources; and,
- Ensuring that budgeting is based on Generally Accepted Accounting Principles in the United States of America ("GAAP") and budgets are balanced.

Reporting by management to the Board

As part of the framework established by this policy, management is required to report regularly to the Board concerning the authority exercised. Reports by management shall cover such areas as quality performance, key metric performance, financial performance, risk management, human resource issues

and other items related to organizational operations (e.g., unbudgeted new revenue and the associated expenses).

Policy

Approval shall be required for:

<u>Item</u>	<u>Description</u>	<u>Board</u>	<u>AGS Finance Committee</u>	<u>AGS President</u>
	<u>Any unbudgeted operating expense line item or cumulative unbudgeted operating expense line items.</u>	<u>Equal to or greater than the lesser of \$50,000 or 2% of current budget approved by the Board</u>	<u>Less than the lesser of \$50,000 or 1% of the current fiscal year's operating budget as approved by the Board</u>	<u>Less than the lesser of \$20,000 or .5% of the current fiscal year's operating budget as approved by the Board</u>
	<u>All unbudgeted capital expenditures or cumulative unbudgeted capital expenditures.</u>	<u>Equal to or greater than \$50,000</u>	<u>Greater than 10,000 & less than \$50,000</u>	<u>Equal to or less than \$10,000</u>
	<u>Any individual or cumulative write-off(s) or disposal of asset(s) (including real estate)</u>	<u>Equal to or greater than \$50,000</u>	<u>Greater than \$10,000 & less than \$50,000</u>	<u>Equal to or less than \$10,000</u>
	<u>Existing vendor contracts or cumulative vendor contracts (i.e., multiple contracts with the same vendor)</u>	<u>Equal to or greater than \$75,000</u>	<u>Greater than \$40,000 & less than \$75,000</u>	<u>Equal to or less than \$40,000</u>
	<u>New vendor contracts or cumulative vendor contracts (i.e., multiple contracts with the same vendor)</u>	<u>Equal to or greater than \$50,000</u>	<u>Greater than \$20,000 & less than \$50,000</u>	<u>Equal to or less than \$20,000</u>
	<u>Debt arrangements (including, but not limited to loans, lines of credit, mortgages, real property leases, bonds, and capital leases).</u>	<u>Equal to or greater than \$50,000</u>	<u>Greater than \$20,000 & less than \$50,000</u>	<u>Equal to or less than \$20,000</u>
	<u>Employee and other legal settlements before any insurance reimbursements are applied.</u>	<u>Equal to or greater than \$50,000</u>	<u>Greater than \$10,000 & less than \$50,000</u>	<u>Equal to or less than \$10,000</u>

	<u>The initial and updates to the Capital Asset Reserve Replacement Schedule.</u>		<u>X</u>	
	<u>Opening of new bank or any financial accounts.</u>		<u>X</u>	

Financial Planning & Reporting

Financial Reporting to Finance Committee

Each month the Board Treasurer and AGS Finance Committee will be provided detailed reports from the AGS financial system (balance sheet and a detailed income statement showing monthly and YTD actual results compared to budget and an updated full year forecast compared to full year budget, cash flow statement) and an A/R collections update. In addition, an updated AGS key metrics scorecard will be provided.

Financial Reporting to Full Board

For each Board meeting, AGS' Finance Lead will provide the Board with: Updated AGS Key Metrics Scorecard, the most recent month-ending balance sheet, and an "operating summary" (showing YTD actual results compared to YTD budget and full year forecast results compared to full year budget, with a short narrative explaining major variances). AGS' Finance Lead/Board Treasurer will provide a brief overview of the operating results at the Board meeting.

Budgeting Process

AGS management shall develop a budget aligned with the organization's mission, goals and strategies that is reviewed with the Finance Committee. The Finance Committee will submit an annual budget to the Board for approval at the April meeting. The proposed budget format will include a comparison with the current year's forecasted income and expenses. The goal for AGS is to adopt a balanced or modest surplus budget, although a deficit budget may be approved by the Board in a transitional year to accommodate new program initiatives or infrastructure investments with confirmation by the Finance Committee that adequate balance sheet strength exists to accommodate an operating deficit for the upcoming fiscal year.

Annual Review

The Board will authorize an annual year-end financial audit by an independent Certified Public Accountant.

Regulatory Compliance Filings

The Finance Committee will review the annual Forms 990 prior to submitting the forms to the Board for approval. The Board of Directors approves the annual Forms 990 prior to submitting the forms with the Internal Revenue Service ("IRS"). AGS adheres to IRS regulations regarding public inspection during the 3-year period, beginning with the date the form is due. The IRS Form 990 is made available for public inspection.

Tuition and Other Receipts

Deposits (checks and cash)

Checks (restrictively endorsed) and cash prepared for bank deposit shall be prepared and deposited to the bank by someone not involved in general ledger record keeping. A copy of the transaction slip will be forwarded to the person responsible for updating general ledger records.

Electronic Funds Receipts

Electronic tuition and fee payments are processed through PayPal and are automatically applied to student accounts in the student information system (SONIS).

Expense & Accounts Payable

Authorized Expenditures

AGS staff is authorized only to request/approve disbursements for payroll, services, or goods that are part of the current year's Board approved budget.

Unbudgeted disbursements require AGS Finance Committee or, AGS Board approval in advance as documented in the Adler Graduate School by-laws.

Payroll

All non-salaried employees are required to record time worked. AGS' Finance Lead or designee is authorized to make payroll additions, deletions and changes when provided approved written requests.

Proper internal controls will be followed to ensure that only valid and authorized paychecks are processed, that federal and state payroll liabilities are remitted, and that federal and state payroll filings are submitted.

Accounting procedures will be implemented, including a preparer, reviewer, approver process, to ensure the accuracy of amounts, coding of general ledger accounts, and appropriate timing of payments.

Segregation of Duties

- The person entering new employees into the accounting system does not approve paychecks.
- The person processing payroll does not make general ledger entries.
- The person processing the checks or electronic funds transfers ("EFT") does not also prepare the bank reconciliation.

Purchases & Procurement

Any budgeted expenditure in excess of \$5,000 for the purchase of a single item should have bids from three (3) suppliers if possible. The bids will be reviewed and approved by the AGS President.

Invoice Approval

All requests for disbursements shall require an adequate receipt or invoice being provided by the individual requesting the funds.

Check Signing Requirements

Two authorized signers are required on all checks of \$10,000 or more drawn on AGS financial accounts. Individuals holding the following positions are authorized signers: AGS President, AGS Finance Lead if employee, Chief Academic Officer and Director of Admissions. Additionally, bank signature cards are required for authorized signers.

Current list of authorized signers are:

- Jeffrey Allen
- Christina Hilpipre-Frischman
- Solange Ribeiro

Electronic Payments

AGS's Finance Lead is authorized and encouraged to utilize electronic payment methods (e.g. bill pay, direct debits,) to disburse funds for routine ongoing services/goods provided to the college that are invoiced with adequate detail. As part of the monthly reconciliations review by the Board Treasurer, the AGS Finance Lead shall provide a list of electronic disbursements.

Electronic Funds Transfer

AGS' Finance Lead or designee on the finance staff is the only staff person authorized to transfer funds from one AGS account to another AGS account. If changes are made to any account (such as closing, opening or adding accounts), a Board resolution will be required that includes authorization for signatories on behalf of AGS

Credit Card Approval

Credit cards have been made available to provide an efficient means of making payments where the normal financial systems and services cannot meet specific requirements for expenditures. Credit cards will be issued to AGS Officers and staff only upon approval of the Finance Committee

Credit cards will be used only for AGS purposes. Personal purchases of any type are not allowed. Debit cards are not authorized.

A cardholder is responsible for the safe custody of the card and the security of the card information. Reasonable precautions should be taken to prevent fraudulent use of the card

The following purchases are not allowed:

- Capital equipment and upgrades not budgeted
- Construction, renovation/installation
- Items or services on term contracts
- Maintenance agreements
- Personal items or loans
- Purchases involving trade-in of AGS property
- Any items deemed inconsistent with the values of the AGS

Cash advances on credit cards are not allowed.

Cardholders will be required to sign an agreement indicating their acceptance of these terms. Individuals who do not adhere to these policies and procedures will risk revocation of their credit card privileges.

When a staff member is no longer employed by AGS or takes another position not requiring a credit card, the card will be returned to the AGS' Finance Lead and then deactivated. A new card can be issued to the person hired in a role where the Finance Committee has previously authorized use of an AGS credit card.

AGS' Finance Lead will maintain a current list of people authorized to have an AGS credit card and cancel an issued credit card when the person leaves AGS or changes positions to one not requiring a credit card.

Asset Management

Capitalization Policy

Capital purchases (primarily building improvements or significant equipment purchases with long expected useful lives) are amortized over the useful life when:

- Estimated life is greater than five years, and
- Value or cost is greater than \$ 10,000

Borrowing

If funds are needed to manage a short duration seasonal cash flow need, the Board can authorize AGS' Finance Lead to borrow funds from any Board Restricted fund or from a donor restricted fund with the prior written approval by the donor.

AGS' Finance Lead shall be authorized by the Board to borrow money on behalf of Adler Graduate School, provided that, at no time, shall the total of borrowed funds, except for loans associated with the purchase of real property, exceed 4% of the current year's approved total expense budget.

AGS' Finance Lead will report to the Board when a loan has taken place.

Uncollectible Accounts Receivable

During the first week of each session, students who have a balance equal to or greater than the tuition rate for one credit who do not have pending financial aid or a current payment plan in place, will be contacted and informed they must make arrangements to pay their balances. Unpaid balances will result in students being dropped from their current classes.

On a quarterly basis, AGS' Finance Lead will adjust the Allowance for Losses account to record an amount for estimated uncollectible accounts. Effective July 1, 2020 the allowance for loss calculation as a % of past due accounts receivable will be as follows:

30 Days-20%
31-60 Days-40 days
61-90 Days-60%
91-120 Days-80%
Over 121 Days- 100%

Accounts which have not had payment activity for more than 120 days will be written off and submitted to a collection agency. If AGS approves and documents an installment repayment plan with a student that is current (no payments missing beyond 30 days) a separate allowance will be estimated for each of these agreements based on the past payment performance of the student and Adler's overall experience with collections of similar payment plans.

Operating Reserve

AGS's goal is to maintain a minimum of six months of budgeted operating expenses in cash or cash items as a liquid operating reserve. However, it is recognized that short-term factors may cause this balance to fluctuate on a monthly basis. The AGS Finance Committee will monitor monthly cash balances and recommend changes in the level of cash when appropriate.

Capital Asset Replacement/Repair Fund

This fund is part of the AGS Capital Fund designated to fund replacements or major repair costs associated with building components and furniture and equipment. However, withdrawal or release of funds will require Finance Committee approval.

Board Designated Fund

The Board may designate cash reserves or investments for restricted purposes separate from the unrestricted operating reserve level that are intended for future use. Withdrawal or release of these funds will require Board approval.

Risk Management

The Finance Committee provides oversight for risk management, to cover organizational liability, including but not limited to, insurance for fire and liability, professional liability, directors and officer's liability, executive coverage, and security issues including facilities, intellectual property, sexual harassment, and Internet policies.

Investment Policy Adler Graduate School

Policy Statement

The Board of Directors has a fiduciary responsibility to manage all financial assets of Adler Graduate School in a prudent manner in order for the organization to carry out its mission and purpose.

Delegation of Authority

- The Board of Directors has delegated supervision of the company's financial affairs to the Finance Committee of the Board.
- The Finance Committee is responsible for oversight of all investments and reporting on those investments to the Board of Directors.

Scope

- The investment policy applies to all funds including short-term operating funds, restricted funds and long-term investments.

Objectives

- The primary investment objective of the organization is preservation of principal.
- The secondary investment objective is liquidity. Investments should have staggered maturities so funds are available when needed to meet the needs of the organization.
- The third investment objective is to earn a total return on its investments that is appropriate to the organization's liquidity needs and risk tolerance.
- Cash, short-term investment funds and marketable instruments will be held that will equal approximately six month's operating expenses.

Fund Description

There are 5 distinct funds that will be identified and managed.

AGS has an **Operating Fund** used to deposit tuition payments and other receipts and to disburse funds to pay operating expenses. The average cash balance needed in this fund will be based on projected cash flows developed as part of the plan (considering operating revenue and expenditures) and recognition of seasonality and other factors impacting timing of cash flows. Finance Committee approval is required annually to establish a target average balance of this fund. To facilitate deposit of operating receipts and to disburse funds for approved expenditures, this account will be a demand checking account at Associated Bank. The balance of this account should remain at or below \$250,000 to ensure full FDIC coverage. Cash balances above this amount are permitted for short durations. AGS' Finance Lead will manage activity in this account to minimize bank fees.

There will be an **Operating Reserve Fund** designed to be an "operating reserve" (i.e. emergency fund) that can only be drawn upon with Finance Committee approval. The amount of this fund is determined by the AGS Reserve Policy which requires the reserve to

equal to the sum of 6 months of operating expenses of the most recent completed fiscal year.

The Operating Reserve Fund shall be invested in only Bank (or Brokered Bank CDs) certificates of deposits and the money market fund at Associated Bank. The CD's should have a maturity of no longer than 6 months and the investment maturities should be structured to ensure some portion could be readily available for an unexpected immediate need without incurring a loss of principal.

The **Capital Asset Replacement and Repair Fund** designed to pay for capital asset replacements and major repairs of such assets. The funds may only be disbursed upon Finance Committee approval. The maturity of any investments within this fund cannot be longer than 12 months and the investment maturities should be structured to ensure some portion could be readily available for an unexpected immediate need without incurring a loss of principal. The creation of the AGS annual operating budget with a linked cash flow budget which will include an "use of cash item" equal to 75% of the annual budgeted depreciation to define the annual contribution to this fund.

There will be a **Strategic investment fund**. This represents unrestricted funds that are designated to be used to support long-term AGS strategic initiatives (e.g. campus expansion, endowments, new academic program launch etc.). Funds for each major strategic initiative will be held in separate accounts. These funds will be designated by the Board and the Finance Committee will annually define/confirm the investment maturity horizon consistent with AGS's strategic objectives.

Finally, there will be a **Donor Designated Fund** to manage "**designated and restricted**" funds per donor stipulation. These funds typically represent contributions by financial donors for specific purposes. As such, they are categorized as "designated and restricted". Specific AGS general ledger accounts or a supporting schedule to the GL will be used to account for and track specific gifts that will be deposited in this account and invested. The maturity of any investments within this fund cannot be longer than 12 months.

Instruments

Appropriate investments would include:

- Bank or institutional money market funds
- Bank (or Brokered Bank CDs) certificates of deposit.
- U.S. Treasury bills, notes and bonds.
- Notes and bonds of U.S. Government agencies.
- Domestic Bond and Equity Mutual Funds or Exchanged Traded Funds (ETFs) provided by established national financial services firms (used only for strategic fund investments).

Internal Control Procedures

- AGS' Finance Lead will handle investments within the scope of the stated policy.
- Investments made by check will require two signatures.
- Wire transfers and telephone transactions shall require written confirmation from the financial institution that the investment has occurred.
- AGS' Finance Lead shall maintain a complete record of all investment transactions and shall systematically retain copies of confirmations and related data.
- The Finance Committee will review any investments held at each meeting.
- In-kind gifts and all stock gifts will be sold as soon as received.

Marketability

In the event that securities must be sold before their maturity, the securities must be easily remarketed. To accomplish this, the securities must be conventional products with strong name recognition.

Communication

AGS' Finance Lead will contact the Finance Committee immediately upon the occurrence of any significant adverse change in the assets in the portfolio.

Reporting

The finance committee will receive a quarterly "Investment Report" from AGS' Finance Lead that contains the following for each of the four investment funds:

- Listing of portfolio investments as of the date of the report and percentage mix of portfolio by type of investment.
- Average portfolio maturity.
- An analysis of the rate of return on the portfolio compared to an appropriate benchmark (such as the 90-day U.S. Treasury Bill rate).
- Amounts of any violations or exceptions to the investment policy during the period.