



Best Financial Practices for Homeschool Organizations

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I recommend that homeschool organizations put into place several financial practices that will provide oversight and accountability of the organization's finances. Your organization may already have several of these practices as policies or required in your bylaws.

Check the boxes for any practices you already follow. Make a plan to add in any practices that you do not currently practice. Your board should be sure the policies are put into practice.

Recommended Financial Practices

Separation of Duties

- The treasurer should get authorization before paying a bill or writing a check.
- The treasurer should not sign checks. Another board member (usually the chairman) approves the payment and then signs the check.
- Have bank statements mailed to the home address of a board member other than the treasurer. He or she reviews the bank statement, initials and dates it and then gives it to a board member or volunteer doing the bank reconciliation.
- Cash deposits should be prepared by one person and verified by another person; both should initial the deposit slip. All deposits should receive a stamped deposit confirmation, which is used to reconcile the checking account.
- If payments are received by mail, two people should open the mail. A cash receipt should be prepared and mailed to the payer. A copy of the receipt should be kept by the organization.
- The treasurer should not reconcile bank account. It is best if another board member or volunteer (not the treasurer) do the bank reconciliation. This can be very inconvenient if your organization uses software, such as Quickbooks, that is located on a home computer. In those cases, the bank statements should still be mailed to someone other than the treasurer and a reconciliation report given to the board on a monthly basis.
- A treasurer should not serve too many years without a break. I recommend a treasurer serve at most 4 years and then a new treasurer should be found.

Monthly Bank Reconciliation

- The treasurer should not reconcile bank account (i.e., another board member should

do the bank reconciliation)

- Bank statements should be mailed to home address and checked by a board member other than the treasurer.
- A bank reconciliation report should be given to board monthly.

Financial Reporting to Board

- Financial reports, such as a Profit and Loss statement, Budget to Actual statement, bank reconciliation report and Cash Flow report, should delivered to the board by treasurer every month.

Annual Budget

- The board should approve a budget every year.
- The treasurer should give a report comparing the budget to actual income and expenses to the board on a regular basis, perhaps monthly.
- The chairman or full board should authorize spending outside or beyond the budget

Cash and Checks

- Checks should be pre-numbered, used in order and kept safe and secured.
- Checks should be prepared by someone other than the person who approves payments. The treasurer may prepare the checks, but the Chair approves them and signs them.
- Checks should be prepared from original invoices/bills or reimbursement requests with copies of receipts attached. In other words, the treasurer should request paper receipts before making a payment for reimbursement.
- The board should authorize all check signers annually.
- Never allow signing of blank checks.
- Checks should be stamped "For Deposit Only" by the person opening the mail.
- Checks and cash should be deposited as soon as possible; the same day as received, if possible.
- A log of payments received should be kept including the date, payer, purpose and amount.

Some of these suggestions are difficult to implement in a small homeschool group, so try and comply with as many of the recommendations as you can. The goal should be to separate duties and cross check responsibilities as much as possible.

Financial Audits

An annual audit of the finances in a homeschool group can help catch mistakes and bad habits, but audits are time consuming and expensive if performed by outside auditors. Instead, many small nonprofits and churches do an *internal* audit annually or every other year.

An internal audit goes beyond the list of financial practice listed above, but it is not as extensive as a full audit. Internal audits are performed by people within the organization. They check accounting records and for compliance with the financial procedures.

The following website explains internal audits for small churches and nonprofits:

<http://www.freechurchaccounting.com/churchaudit.html>

It also contains a checklist for conducting an internal audit for a church, so some of the topics may not apply to your homeschool organization.

<http://www.freechurchaccounting.com/support-files/internalauditchecklistguidelines.pdf>

If you have any questions or would like assistance in performing an internal audit, contact me at Carol@HomeschoolCPA.com

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