

THE COLLEGE MUSIC SOCIETY

Handbook

of

Financial Policies and Procedures

Adopted March 2001

Revised January 2017

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An Overview of The College Music Society

Mission of The College Music Society

The College Music Society promotes music teaching and learning, musical creativity and expression, research and dialogue, and diversity and interdisciplinary interaction. A consortium of college, conservatory, university, and independent musicians and scholars interested in all disciplines of music, the Society provides leadership and serves as an agent of change by addressing concerns facing music in higher education.

Legal Structure

The College Music Society is a public educational and professional, not-for-profit organization recognized as tax-exempt by the Internal Revenue Service under Section 501(c)6 of the Tax Code.

Description of The College Music Society

The Bylaws of The College Music Society describe the organization as follows:

The particular business and objectives of the Society shall, as stated in its Articles of Incorporation, be educational, and shall be devoted to the general interests of music in colleges and universities. Its primary purposes shall be (1) to gather, consider, and disseminate ideas on the philosophy and practice of music as an integral part of higher education, and (2) to increase communications among the various disciplines of the music profession. No part of the net earnings of the Society shall inure to the benefit of any individual. The Society shall not participate or intervene in any political campaign on behalf of any candidate for public office.

Fiscal Year

The fiscal year of The College Music Society is August 1 through July 31.

Federal EINs

The College Music Society — 81-0505324
The CMS Fund — 04-6114500

The Finance Committee

Mission of the Finance Committee

The Finance Committee, formally established in 1999, supports the Society's mission and the goals set by its governing bodies. The Finance Committee oversees the budget, oversees income and expense, projects costs and earnings, manages cash-on-hand and cash reserves, and provides fiscal oversight to the projects sponsored by the Society. The Finance Committee reports to the Executive Committee and Board of Directors at their meetings.

Membership

The Finance Committee includes the Treasurer, Treasurer Elect, Past Treasurers, President *ex officio*, Executive Director *ex officio*, Accountant of the Society *ex officio*, and other appointed members that may be appropriate from time to time.

Meetings

The Finance Committee meets once each year in the fall in support of the meetings of the Society's Board of Directors and Executive Committee, and additionally as needed.

Reports

The Finance Committee reports annually to the Board of Directors, semiannually to the Executive Committee, and quarterly to its members.

Overview of the Financial Statement

The Financial Statement of The College Music Society includes the (1) Balance Sheet and (2) the statement of current income and expense.

Balance Sheet

The Balance Sheet provides an overview of the financial status of the organization. It provides information concerning the assets and liabilities of The College Music Society, as well as the current net worth. The Balance Sheet provides a snapshot of the organization's financial condition and a measurement of its condition over time. The Balance Sheet enables the Society to determine the ratio of current assets to liabilities.

On the Balance Sheet:

- $\text{Assets} = \text{Liabilities} + \text{Net Assets}$
- Assets indicate what the Society owns
- Liabilities reflect the items owned by creditors
- Net Assets reflect the difference between what the Society owns and what is owned by its creditors

The following will provide a brief explanation of the Balance Sheets and the accounts contained therein.

Assets

Current Assets – These accounts provide information concerning the cash held by the Society and its Regional Chapters, as well as information concerning monies owed to the Society (Accounts Receivable) and the value of inventory and deposits. Generally, the Accounts Receivable and items in inventory are expected to be turned into cash during the next twelve months.

Fixed Assets – These contain items expected to have long and useful lives. These include such things as land, buildings, equipment, information systems software, as well as the depreciation the Society has accumulated on these items.

Total Assets – The total assets of the organization are the combination of current and fixed assets.

Liabilities and Equity

Current Liabilities – Current Liabilities represent the items for which the Society is currently responsible, usually immediately but always within the next twelve months. Accounts Payable includes items due within the next four weeks. Other Current Liabilities include state and federal payroll taxes usually due within the next four weeks.

Long-Term Liabilities – Long-Term Liabilities represent items for which the Society is responsible but will not be paid in full within the coming twelve months. For example, mortgages and leases represent long-term liabilities.

Equity – The Equity accounts represent what the Society has retained from its operations in previous years, as well as the Net Income from operations during the current fiscal year.

Total Liabilities and Equity

This bottom line represents the net worth of the Society.

Income and Expense Accounts

The following will provide information concerning the income and expense accounts of The College Music Society.

Income

Membership Dues — These accounts include income for regular, retired, and student members.

Professional Activities — These accounts include income from registration fees, the sale of exhibit space and advertising, and other sources such as banquets and tours for National Conferences, International Conferences, Regional Chapter Conferences, and Professional Development events.

College Music Symposium — These accounts include income from royalties for the journal.

Directory of Music Faculties — These accounts include income for sales of the *Directory of Music Faculties in Colleges and Universities, U.S. and Canada*.

CMS Professional Notices — These accounts include income from the mailing label and electronic notice services.

Music Vacancy List — These accounts include income from placements in the *Music Vacancy List*.

Interest and Other Income — These accounts include income from interest, contributions, finance charge assessments, and occasional novelty products.

Expense

Membership Services — These accounts are used for the expenses incurred in renewing current members, cultivating new members, and in developing awareness of the Society. Accounts for membership renewal, posters, brochures, envelopes, all credit card sales expense, and display advertising are found here.

Professional Services — These accounts are used for the expenses incurred for planning and executing the International Conference, National Conference, Regional Chapter Conference, and Professional Development events.

College Music Symposium — These accounts include expenses for the production of the journal.

Career Development — These accounts reflect expenses in support of the Society's career development initiatives including committees working in academic leadership and citizenship, administration, career options in music, mentoring, and professional life.

Engagement and Outreach — These accounts include expenses in support of the Society's initiatives in engagement and outreach including committees working in music business and industry, community engagement, cultural inclusion, higher education, international initiatives, and the scholarship of teaching and learning.

Directory of Music Faculties — These accounts include expenses for developing and publishing the *Directory of Music Faculties in Colleges and Universities, U.S. and Canada*.

CMS Professional Notices — These accounts include expenses for providing the mailing label and electronic notice services.

Music Vacancy List — These accounts include expenses for producing the *Music Vacancy List*.

Governance — These accounts are used for expenses incurred by the Executive Committee, Board of Directors, and other committees for their meetings and communications.

Operations: General, Facilities, Information Technology — These accounts are used for expenses incurred in the general administration and operations of the Society. Accounting and

legal fees, insurance, telephone, stationery, office supplies, postage,, and other such expenses are recorded here. Also included are expenses for facilities (rent, utilities, and building maintenance) and Computer Systems and Equipment (computer equipment and software). Depreciation of the Society's equipment and information systems is also included here.

Operations: Salaries and Benefits — Expenses for salaries, benefits, and governmental overburdens (e.g., state workers compensation insurance, FICA taxes, state unemployment taxes, FUTA taxes) are found here.

This, then, is a general overview of the financial statement of The College Music Society.

Financial Policies of The College Music Society

The following policies have been adopted by the Finance Committee and reflected in the Society's fiscal practice.

Policies Relating to the Balance Sheet

Checking and Savings Accounts – To maximize interest income to the greatest extent possible, monies not needed for daily operations will be placed in an interest-bearing savings account. Monies not needed for extended periods of time will be placed in temporary Certificates of Deposit.

Accounts Receivable – All invoices of The College Music Society will be presented as “due upon receipt.” All aged accounts over 30 days will accrue at an interest rate of 18% annually. Invoices older than 180 days will be sent to a collection agency.

Inventory – Directories produced by the organization will be included in the organization's inventory list.

Investments – The Finance Committee will invest the cash reserves of the organization in appropriate Certificates of Deposit and, if advisable, carefully selected mutual stock funds. At the close of each fiscal year, net excess cash will be invested while any deficit will be paid from previously invested cash.

Fixed Assets – The Fixed Assets of the organization will include furniture, equipment, information systems, land and buildings, and other items of value that may be acquired from time to time. Depreciation will be scheduled and reviewed annually, and will conform to proper practices or as required by Federal or State of Montana law.

Liabilities – The Finance Committee intends all liabilities to be met in a current and timely manner.

Policies Relating to Income and Expense

Membership Dues and Options – The Finance Committee reviews dues and options, as well as membership development expenses, and makes recommendations to the Board of Directors, as needed. In general, the Finance Committee encourages the use of electronic technology for member communications, including renewals and new members, to encourage the sparsest possible use of paper and other environmentally sensitive products.

Conferences – The Finance Committee reviews the income and expense of the Society's

conferences and makes recommendations as needed. In general, the Finance Committee expects income from conferences to equal its expenses. The Finance Committee does not expect conference income to exceed conference expenses. Any conference deficits will be covered by general operating income of the Society.

Professional Activities – The Finance Committee reviews the income and expense of the Society’s professional activities and makes recommendations as needed. In general, the Finance Committee expects income from these initiatives to equal expenses. The Finance Committee does not expect income from professional activities initiatives to exceed expenses. Any deficits from these activities, initiatives, or events will be covered by general operating income of the Society.

Information Services: Directories, Mailing Labels, Professional Information – The Finance Committee reviews the income and expenses for the Society’s information services and sets prices accordingly. Income from these services is used to support the various services and events of the Society.

Other Income – The Finance Committee seeks to maximize interest income through use of a savings account and short-term Certificates of Deposit.

Engagement and Outreach – The Finance Committee reviews expenses for engagement and outreach activities and endeavors to find sufficient support for these initiatives as directed by the Board of Directors.

The CMS Fund – The Finance Committee will seek to provide funds for discretionary use by The CMS Fund in order to support its outreach and engagement mission.

Regional Chapters – The Finance Committee will provide support for the Regional Chapters of the Society as directed by the Board of Directors. Budgets and reports from the Treasurers of the Regional Chapters are reviewed by the Finance Committee to determine proper support and subvention. Reporting requirements are outlined in the *Handbook for Regional Chapter Treasurers*.

Governance – The Finance Committee reviews expenses for the Society’s governing entities. The following policies are in place:

Meetings of the Board of Directors – The Society provides: (1) air travel to and from the city in which the meeting takes place or mileage reimbursement at the standard rate set by the Federal government; (2) ground transportation to and from the home airport, as well as the airport in the host city; (3) meals during the course of travel and meetings; and (4) lodging.

Lodging for Editors, Committee and Council Chairs, and Student Council Members – The Society will provide one night's lodging at the Annual Conference for editors of publications and committee chairs, as well as appropriate support for student presenters.

Salaries and Benefits of the Executive Office Staff – Salaries and benefits for members of the staff of the Society's Executive Office are reviewed and determined by the Executive Committee. Salaries are reviewed and adjusted in the fall of each year and usually go into effect at the beginning of each calendar year. The Finance Committee expects that salaries and benefits of its Executive Office Staff will generally be in line with those of national service organizations of similar size and scope. The following policies are in place:

Benefits paid by the Society for all employees are as follows: (1) state workers compensation insurance, (2) FICA taxes, (3) state unemployment taxes, (4) Federal Unemployment Tax Administration taxes (FUTA), and (5) employee assistance program through Vocational Resources, Inc.

Benefits paid by the Society for full-time employees are as follows: (1) health insurance (e.g., Blue Cross-Blue Shield or equivalent); (2) contributions of 10% of gross salary to a 403(b) or 401(k) plan (TIAA-CREF or equivalent); (3) disability insurance; and (4) long-term care insurance.

When traveling or conducting business on behalf of the Society, the organization provides: (1) air travel to and from the city in which the business takes place or mileage reimbursement at the standard rate per mile set by the Internal Revenue Service; (2) ground transportation to and from the home airport, as well as the airport in the host city; (3) meals during the course of travel and meetings; (4) lodging; and (5) reimbursement for laundry expenses, if required.

Equipment/LAN/Internet – To insure the ability of the Society to (a) maintain its services to its members and (b) support the work of its officers, the Finance Committee will provide, through purchases and/or leases, state-of-the-art equipment, software, and technical support for the Society's electronic infrastructure.

Facilities – The College Music Society will purchase or lease real estate in the home city of its Executive Office (a) to insure the ability of the Society to maintain its operations, (b) to provide the Executive Office with an adequate facility, and (c) to insure, as appropriate opportunities arise, long-term financial stability and growth of equity.

General Operations – The Finance Committee will provide adequate financial means to insure the continuing operations of the organization. The following policies are in place:

Annual Compilation Report – In addition to the oversight provided by the Finance Committee, an annual review will be conducted by a Certified Public Accountant and a compilation report provided. The review will be conducted as soon as possible following the close of the fiscal year (July 31) and the report will normally be available for review by the Finance Committee at its fall meeting.

Staff Development – The Finance Committee will provide appropriate levels of support for staff development.

Cash Management – The Finance Committee will manage cash carefully in order to earn as much interest as possible from temporary savings and short-term Certificates of Deposit. Longer-term Certificates of Deposit will be considered as cash becomes available.

Policies Related to Budget Development and Review

Budget Development – The Finance Committee will develop a working draft of a budget for the following fiscal year. The goal will be to develop a working plan for the Society's finances. The budget will include activities and services the Society plans to provide, as well as the income these activities will generate. The Society will not use zero-based budgeting; as stated previously, net excess cash will be invested while any deficit will be paid from previously invested cash.

Budget vs. Actual Review – The Finance Committee will review progress-to-date for the current fiscal year. The Finance Committee will make adjustments as appropriate for the remaining months in the fiscal year.

Review of Major Activities – The Finance Committee will conduct a thorough review of expenses for all major areas of the Society's activity. Special reviews of income and expense may be requested and conducted from time to time.

Other Financial Policies

Major financial events and decisions are reviewed regularly by the Finance Committee. The following practices or procedure are currently in place:

Books and Monographs – The Society has placed Routledge/Taylor-Francis under contract for production of book series. The Society expects to receive a royalty of 10% from books in the series. All royalties due authors in the series are the responsibility of Routledge/Taylor-Francis as outlined in the contract.

Outsourcing of Technical Support – The Society uses certain professional organizations to provide support for its electronic infrastructure. The relationship between the Society and other professional organizations is characterized as independent contractors. The employees of professional businesses are not employees of The College Music Society.

Cash Reserves – The College Music Society will maintain adequate cash reserves. The Finance Committee will determine the level annually.

Joint Conferences and Events – When the Board of Directors approves a joint conference, workshop, symposium, or other event with one or more music organizations, the Treasurer of The College Music Society, on behalf of the Finance Committee and Board of Directors, will work with appropriate officers of the organization(s) to develop (1) a financial plan and budget for the event, (2) proper financial oversight, and (3) an adequate reporting mechanism. All financial agreements will be in writing and subject to review and approval by the Finance Committee.

Directory of Music Faculties in Colleges and Universities, U.S. and Canada — Production of the *Directory* is expensed annually.

Financial Policies of The CMS Fund

The following policies have been adopted by the Finance Committee and are reflected in the fiscal practice of The CMS Fund.

Policies Relating to Program Income and Program Expense

Contributions to Programs — The CMS Fund receives gifts for specific programs that have been approved by the Board of Directors, as well as unrestricted gifts that are not designated for a specific program. Gifts are recorded in the appropriate income accounts of the Fund.

Expenses for Programs — The CMS Fund supports annual grant programs approved by the Board of Directors. Normally, grant awardees are determined and announced in the spring, and awards distributed thereafter.

Policies Relating to Operational Expenses

It is the intention of The College Music Society to provide for the annual operating expenses of The CMS Fund (e.g., fundraising projects, stationery, Board of Directors). The Finance Committee reviews and determines annually the cash needs of The CMS Fund, and forwards cash to The CMS Fund when possible.

Investment Philosophy, Strategy, Purposes, and Goals

The Finance Committee reviews regularly cash holdings and investment strategy. To continue to develop the Society's operations, the Finance Committee has adopted the following:

(1) *Operating Cash Reserve* – The Society needs operating cash in reserve to insure the stability of the organization. Cash is held in savings accounts and Certificates of Deposit as an operational cash reserve. The goal of the Society is to have in reserve cash equaling six months of staff salary and benefits, currently approximately \$350,000.

(2) *Real Estate* – At least for the foreseeable future, the Society will need physical office space. A real estate fund will be developed so that the Society can be in position to purchase appropriate office space sometime during the next five to ten years. The initial goal of this fund is \$75,000.

(3) *Long-Term Investments* – To meet the demand for expanding the horizons, programs, and possibilities of the Society as the imagination of its Board of Directors and membership may inspire, the Society will develop a long-term investments fund to be used in developing further services for members.

Recent Changes in Policies, Practices, and Procedures

The College Music Society and The CMS Fund at all times conform to the rules, regulations, policies, and procedures under sections 501(c)6 and 501(c)3 of the Tax Code as amended. The organizations adapt to new rules, regulations, policies, and procedures as they are issued. Three issues have recently been under review by the Internal Revenue Service and clarification has been issued concerning them. These are (1) governance practices generally recognized as good and prudent for non-for-profit organizations; (2) changes to regulations governing 403(b) retirement plans; and (3) revisions to Form 990, the vehicle by which the annual tax and information return is forwarded to the IRS by not-for-profit organizations. The following statements seek to clarify the Society's stance on each.

Good Governance Practices

The Internal Revenue Service has issued “Good Governance Practices for 501(c)3 Organizations.” The following offers an analysis of the organization’s compliance with these guidelines:

Mission Statement – The organization has a clear mission statement in place.

Code of Ethics and Whistleblower Policies – The organization has in place a formal “Code of Ethics” and “Whistleblower Policy.” The organization’s practices are reasonable, honest, and of the highest integrity, and a formal statement has been adopted.

Due Diligence – The organization practices due diligence. Regular meetings of all governing entities (e.g., Board of Directors, Executive Committee, Finance Committee) are held and review of the organization's *Handbook of Policies and Procedures* are regular components of these meetings.

Duty of Loyalty – The loyalty of Directors is clearly stated in the *Handbook of Policies and Procedures*.

Transparency – A complete annual report is made available to the public early each year.

Fundraising Policy – The Board of Directors of The CMS Fund has clear fundraising policies which are made available to the public on the organization’s website and in print media.

Financial Audits – An annual compilation report is prepared by a Certified Public Account and reviewed by the Finance Committee. The Finance Committee meets annually to review the report, and makes (1) an annual report to the Society’s Board of Directors and membership, (2) an annual report to the Board of Directors of The CMS Fund, (3) biannual reports to the Executive Committee of the Society, and (4) a review each quarter of financial statements of both organizations.

Compensation Practices – Since 2009, The College Music Society has conformed to the guidelines for determining compensation of employees outlined in the instructions for and implied within Form 990 (see further discussion below).

Document Retention Policy – The College Music Society and The CMS Fund retain complete paper financial records and documentation for three years following the close of the fiscal year; after three years financial records are shredded and disposed responsibly. The organizations encrypt credit card numbers during online transactions and do not retain credit card numbers following order processing. The organizations store annual audits, reviews, and compilation reports, as well as tax returns, in perpetuity. The organizations maintain financial

records in Quickbooks Pro in perpetuity; existing records begin in 1995 with introduction of the QuickBooks Pro system in the Executive Office. The internal LAN and online Web systems are backed up daily.

Changes to Regulations Governing 403(b) Retirement Plans

Changes to 403(b) Retirement Plans went into effect on January 1, 2009. The Society has made every effort to conform to the new guidelines for 403(b) plans by (1) reviewing advice memoranda issued by TIAA-CREF, (2) preparing and executing plan documents under the direction of TIAA-CREF, and (3) conforming to new guidelines for the Society's other provider, New York Life Insurance Company/Massachusetts Mutual. The withdrawal of 403(b) offerings by one of the Society's long-time providers, New York Life/MainStay Funds, precipitated the need to offer to employees funding through a different provider and, following research and review, Massachusetts Mutual was selected and begun as an employee option on December 1, 2008. The Society does not allow discrimination for 403(b) contributions amongst its full-time employees; therefore, there are no "highly compensated employees" for 403(b) purposes. The terms and conditions within the Society's 403(b) plan apply to all employees without discrimination. All full-time employees participate in the 403(b) retirement plans and have done so since the plan's inception in 1978.

Revisions to Form 990 and Adjustment to Tax/Information Preparation Procedures

At the close of the Society's 2008-2009 fiscal year, the organization filed the newly revised Form 990 for the first time. In preparation for this, the Treasurer, Executive Director, and Finance Committee reviewed publications, took part in commercially produced webinars, and adapted and conformed to the new procedures. To adapt successfully to the spirit and letter of the new form, the following procedures are in place:

(1) Henceforth, Form 990, the annual tax and information return, will be prepared by a Certified Public Account following completion of the annual compilation report. A draft of the annual information return on Form 990 prepared by the CPA will be reviewed by the Treasurer and Executive Director and, following its completion, will be signed and executed by the Treasurer and submitted to the Internal Revenue Service.

(2) The Finance Committee will review at its annual fall meeting both Form 990 as amended and the Society's previous tax and information return. Suggestions for improvement and greater clarity to the annual return will be forwarded by the Treasurer and Executive Director to the Certified Public Accountant for incorporation in future returns.

(3) The annual report from the Finance Committee to the Board of Directors, prepared by the Treasurer and Executive Director, will, as in the past, include a summary of the compilation report and Form 990 along with the notation that the complete reports are available upon request.

(4) In response to abuses by not-for-profit organizations, IRS guidelines for the revised Form 990 call for documentation and justification of compensation for the Executive Director. To conform to these guidelines, the Finance Committee recognizes the following facts and practices:

(a) The Executive Director is the Chief Operating Officer (COO) of the organization. This is an important distinction between this position and that of the Presidents of the organizations who generally function as Chief Executive Officers. As clearly articulated in the Bylaws, the Executive Director is not a member of the Board of Directors, does not have voting rights on any of the committees of the organization, and does not make policy decisions for the organization. As COO, the Executive Director operates the Executive Office and is responsible for the day-to-day operations of the organization. Therefore, the Executive Director is not a "Key Employee" of the organization under the IRS definition of the term. Although this may be at variance with the employee-organization relationship practiced by other national organizations serving educational institutions and individual musicians in the field, it is the long practice of both The College Music Society and The CMS Fund.

(b) A report concerning comparative compensation for the Executive Director will be

prepared annually by the Treasurer, reviewed by the Finance Committee, and forwarded to the Executive Committee which determines the Executive Director's compensation. The purpose will be to insure that compensation paid is reasonable, prudent, and in keeping with practices of other national service organizations. Three sources will be consulted: (1) the annual report of the Higher Education Arts Data Services (HEADS) project of the National Association of Schools of Music, this to note compensation levels within the music and higher education community; (2) the annual tax returns available to the public through GuideStar.com of analogous national music and arts organizations, this to note compensation of other Executive Directors and COOs; and (3) from time to time and as appropriate, commercially available compensation studies, this to note national practices for service organizations of similar size and scope.

With these revised practices in place, the Finance Committee believes it conforms to the new guidelines outlined by the Internal Revenue Service for Form 990 filers.

CMS Whistleblower Policy

General

The College Music Society requires directors, officers, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Representatives of the Society must practice honesty and integrity in fulfilling responsibilities and complying with all applicable laws and regulations. This Whistleblower Policy is intended to encourage and enable directors, officers, employees, and others to raise serious concerns within the Society prior to seeking resolution outside the organization.

Reporting Responsibility

It is the responsibility of all directors, officers, and employees to report violations or suspected violations of lapses in ethical behavior.

No Retaliation

No director, officer, or employee who in good faith reports a violation of high ethical standards shall suffer harassment, retaliation, or adverse consequence. A director, officer, or employee who retaliates against someone who has reported a violation in good faith is subject to censure or discipline up to and including termination of employment.

Reporting Violations

The Society has an open door policy and suggests that directors, officers, and employees share their questions, concerns, suggestions, or complaints with someone who can address them properly. In most cases, questions, concerns, suggestions, or complaints should be sent to the Executive Director at the Society's Executive Office. However, if directors, officers, and employees are not comfortable speaking with the Executive Director or are not satisfied with the Executive Director's response, communication should be made with the President of the Society. The Executive Director and President are required to report suspected violations of high ethical standards to the Society's Executive Committee who has specific and exclusive responsibility to investigate all reported violations and report such violations to the Society's Board of Directors.

Executive Committee

The Executive Committee is responsible for investigating and resolving all reported complaints and allegations concerning violations of high ethical standards and, at its discretion, shall advise the Executive Director, Finance Committee, and Board of Directors.

Accounting and Auditing Matters

The Finance Committee of the Board of Directors shall address all reported concerns or complaints regarding corporate accounting practices, internal controls, or auditing. The Treasurer of the Society, who also serves as the Chair of the Finance Committee, shall immediately notify the Executive Committee and Board of Directors of any such complaint and work with the Executive Committee and Board of Directors until the matter is resolved.

Acting in Good Faith

Anyone filing a complaint concerning a violation or suspected violation of high ethical standards must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or have been known to be false will be viewed as a serious disciplinary offense.

Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations

The Executive Director or President will notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

Electronic Filing Requirement for Small Tax-Exempt Organizations: Annual Electronic Notice — e-Postcard (Form 990-N)

Beginning in 2008, small tax-exempt organizations that previously were not required to file returns are required to file an annual electronic notice, Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. This filing requirement applies to tax periods beginning after December 31, 2006.

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt from Income Tax. With the enactment of the Pension Protection Act of 2006 (PPA), these small tax-exempt organizations are now required to file electronically Form 990-N, also known as the e-Postcard, with the IRS annually. Exceptions to this requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and section 509(a)(3) supporting organizations required to file Form 990 or Form 990-EZ.

The IRS has developed an electronic filing system (there is no paper form) for the e-Postcard and filing procedures.

The PPA requires the IRS to revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years. Therefore, organizations that do not file the e-Postcard (Form 990-N), or an information return Form 990 or 990-EZ for three consecutive years, will have their tax-exempt status revoked as of the filing due date of the third year.

The Society's Executive Office files annually the E-postcards on behalf of the Society's Regional Chapters and The CMS Fund.

EIN's for the Society's Regional Chapters are as follows:

Great Lakes	84-1370850
Great Plains	93-1228096
Mid-Atlantic	84-1370341
Northeast	81-0513210
Pacific Northwest	84-1369786
Pacific Southwest	26-4531757
Rocky Mountain	81-0513415
South Central	81-0513349
Southern	91-1766924

Duty of Loyalty and Conflict of Interest Policy

The members of the Board of Directors and employees owe a duty of loyalty to The College Music Society and The CMS Fund. The duty of loyalty requires directors to act solely in the interest of the organizations rather than in their personal interest, in the interest of another person, or in the interest of another organization. In particular, the duty of loyalty requires directors to avoid conflicts of interest that are detrimental to the organizations.

Purpose – The purpose of the conflict of interest policy is to protect CMS interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director or staff member. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit, professional, or charitable organizations.

Definitions

Interested Person – Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

Financial Interest – A person has a financial interest if the person has, directly or indirectly, through business, investment, or family: (a) an ownership or investment interest in any entity with which CMS has a transaction or arrangement; (b) compensation arrangement with CMS or with any entity or individual with which CMS has a transaction or arrangement, or (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which CMS is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Procedures

Duty to Disclose – In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

Determining Whether a Conflict of Interest Exists – After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is

discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest – Procedures are as follow:

(1) An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

(2) The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(3) After exercising due diligence, the governing board or committee shall determine whether CMS can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

(4) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in CMS's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

Violations of the Conflicts of Interest Policy

(1) If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

(2) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Internal Control

Cash and Check Processes

CMS receipts are often in the form of checks, either personal checks from individuals or business checks from educational institutions and companies. The College Music Society receives and processes very little cash.

Receipts in the Executive Office – Checks and, in rare cases, cash arrive via U.S. mail and other couriers. The mail is usually delivered in the late morning. The person working the front desk, either the bookkeeper or receptionist, opens the mail as soon as it arrives.

Handling Process – Checks and cash are sorted and organized by category of activity (e.g., CMS membership, sales of publications, conference registrations). The amount received is then either (1) applied to outstanding invoices in the QuickBooks accounting program, (2) entered into the IMIS membership program, or (3) entered into the QuickBooks accounting program as a sales receipt.

Deposits and Their Preparation – Deposits of checks and cash are kept separate for each of the three categories noted above (e.g., membership). CMS has an endorsement stamp that is used to endorse each check. After preparation, deposits are given to the Executive Director who reviews them and takes them to the bank. The Executive Director returns with receipts for each deposit and gives them to the bookkeeper. The bookkeeper staples the receipts to the paperwork for each deposit and files them as appropriate.

Cash and Check Deposits – Cash receipts are reconciled to general ledger postings daily. Cash, check, and credit card receipts for payments of membership dues are posted to the QuickBooks system via electronic entry and reconciliation with the IMIS membership system.

Receipts Onsite at Conferences – Funds are received at conferences for onsite registrations, paid at the conference registration desk. There is a money box that is kept at the desk and CMS employees handle the box, paperwork, and funds. Cash receipts from events are counted by at least two staff members. Cash receipts are stored in a secure location.

Following the conference, the CMS Director of Professional Activities returns to the Executive Office and gives these funds and paperwork to the bookkeeper who enters the information into the QuickBooks and membership record system. The bookkeeper prepares the deposits of these funds and gives them to the Executive Director who reviews them for accuracy.

CMS Credit Cards and Related Matters

Credit Cards – For ease of operations, the Society maintains credit card accounts with American Express and VISA (currently through U.S. Bank). Credit Cards are in the possession of the Executive Director and the Director of Professional Activities. Credit card charges are reviewed, reconciled, and paid electronically each month by posted due dates by the Executive Director and bookkeeper. Charges are posted to the appropriate accounts on the Society's books (e.g., national conference, Board of Directors). The Society does not carry balances on its credit card accounts nor does it incur interest expense.

Disbursements

Accounts Payable – Invoices and supporting documentation are received by the Executive Officer. The bookkeeper enters invoices into the QuickBooks accounting system. Each Friday payables are reviewed by the accountant, Executive Director, and bookkeeper. Amounts on invoices are (1) assigned to appropriate expense accounts and (2) compared with budgets prepared by the Finance Committee and approved by the Board of Directors. Checks are prepared by the accountant, signed by the CMS Treasurer's signature stamp (currently in possession of the accountant) for endorsement, and posted via U.S. mail. Credit card payments are made electronically as noted above.

Checks – Checks are prenumbered, the sequence is accounted for regularly, and unissued checks are controlled and kept in a secure location.

Account Signatories – Authorized signatories on the cash accounts of the Society include the President, Treasurer, and Executive Director.

Transfers between Cash Accounts – Transfers from a cash account of the Society may only be made to another cash account of the Society. Passwords are established and used for individuals authorized to make wire transfers. No provision for telephone transfers are in place.

Disbursement Process – Disbursements are made through the QuickBooks system which automatically writes checks and/or processes electronic payments to approved vendors based on the internal vendor/disbursement lists.

Payroll Processes – CMS is on a semi-monthly payroll. Prepared by the Executive Director or, in his absence, the bookkeeper, payroll is prepared and disbursed to employees electronically via the QuickBooks accounting system and a Web-based system provided by First Interstate Bank. Related employee benefits (e.g., retirement contributions) and government overburdens (e.g., Social Security) are also prepared through the QuickBooks system and disbursed semi-monthly, electronically in most cases. Passwords are established and used for individuals authorized to make wire transfers.

Periodic Review – The Executive Director reviews the Society’s financial statements on a periodic basis (at least monthly), investigates significant variances from budgets and expected results, and brings anything deemed significant to the immediate attention of the Treasurer and Finance Committee.

Receipts

Accounts Receivable – For customers in good standing, the Society extends credit which is posted to accounts receivable. Accounts receivable is reviewed regularly by the Executive Director and the bookkeeper. The Society attempts to work patiently with delinquent accounts but may, at its discretion, send delinquent accounts to a collections agency. The accounts receivable aging/subledger is reviewed and reconciled to the general ledger. The Executive Director brings anything deemed significant to the immediate attention of the Treasurer and Finance Committee.

Records – The organization keeps paper or electronic records of all receipts for membership dues, provision of services or activities, contributions, gifts, etc., including the donor’s name, amount, date, and any related details.

Review of Receipts and Disbursements

Budgets, reasonably estimated, as well as receipts, and disbursements are periodically compared and the Finance Committee reviews significant differences.

Credit Card Transactions

The College Music Society accepts Visa, MasterCard, American Express, and Discover. Both paper and on-line forms are made available for making credit card payments to The College Music Society. The forms provide the CMS member or customer with opportunity to enter their type of credit card, the number, expiration date, security code, exact name on the card, and the billing address of the card. Forms and payments may be submitted electronically online or in paper, physical copy.

Receipts in the Executive Office – The majority of credit card payments are submitted online via the secure CMS Web site. CMS also receives credit card transactions through paper copy received by U.S. mail, FedEx, or another courier.

Membership Orders – Orders for membership are received by the Membership Director’s electronic mail account <cmsmembership@music.org.> The membership director charges all

membership dues payments. The amount received is entered into the membership program. The Membership Director provides reports of transactions to the bookkeeper for verification and entry into the QuickBooks system. The reports are compared with the batch report exported from IMIS for direct entry into QuickBooks.

Conference and Event Registration – Registration and event orders are received by the main front desk electronic mail account <cms@music.org>. The front desk processes all meeting and event registration receipts. The amount received is then either (1) applied to outstanding invoices in the QuickBooks accounting program, (2) entered into the QuickBooks accounting program as a sales receipt, or (3) entered into the membership program.

Publications and Information Services – Orders for publications and information services come to the front desk electronic mail account <cms@music.org>. The front desk charges all orders for publications and information services or accounts receivable payments. The amount received is then either (1) applied to outstanding invoices in the QuickBooks accounting program, (2) entered into the QuickBooks accounting program as a sales receipt, or (3) entered into the membership program.

Record Keeping in the Executive Office – In the case of electronic orders, each order form is printed and the information on it used to process the payment and enter data into the appropriate data system (e.g., Quickbooks). All forms are kept in locked filing cabinets or locked rooms at all times. After one year, these forms are shredded.

Credit Card Security – The types of traffic CMS allows into its network are limited to Domain Name System (DNS), Hypertext Transfer Protocol (HTTP), and Simple Mail Transfer Protocol (SMTP). The security configuration is in place and is reviewed periodically by a network consultant to maintain the highest standards. The network is regularly scanned by SecurityMetrics.com and actions taken to address vulnerabilities. CMS stays current on all the latest patches for its servers. Credit card data are taken by the Webserver only during encrypted transmission. Credit card data are then routed to staff members via local delivery email (intranet) and is not routed via the World Wide Web.

Deposit Account Reconciliations

Cash and credit card reconciliations are conducted by the Executive Director monthly, usually within ten days of the close of the month. During reconciliation, a list of daily cash receipts is compared to postings to customer accounts, contribution records, and deposits by the Executive Director who is independent of the daily cash receipts and accounts receivable functions.

Any significant adjustments of cash accounts are discussed with the CMS Treasurer and documented appropriately.

Hard copy of reconciliations is produced and filed, and reviewed by the Society's accountant during preparation of the annual compilation report.

General Guidelines for CMS Accounting Systems

Passwords – Generally, passwords used for CMS accounting systems are changed every six months.

Support for The CMS Fund – Similar procedures and standards are in place for, and are maintained in support of the work of, The CMS Fund.

Support for the Association for Technology in Music Instruction – Similar procedures and standards are in place for, and are maintained in support of the work the Association for Technology in Music Instruction.

Reporting and Review

Reports will be generated for monthly review by video conference. Monthly reporting and review will include (1) bank reconciliation, (2) balance sheet, (3) income vs expense, and (4) statement of cash flow. Quarterly, a statement of budget vs. actual will also be reviewed. Any unexpected income or expense, or departures from the approved budget, will be considered.

Review includes the financial statements noted above, as well as the following:

- Significant variances from budgets and expected results.
- Delinquent accounts receivable.
- Daily postings of cash receipts to the general ledger.
- Reconciliation of the general ledger of accounts receivable.

General Financial Practices

Individuals who collect accounts receivable cannot:

- Post cash receipts to accounts receivable.
- Review the accounts receivable aging trial balance.
- Authorize write-offs of delinquent accounts.
- Independently investigate accounts receivable discrepancies.
- Maintain or authorize accounts receivable adjustments.
- Edit the accounts receivable master file.
- Process customer service calls and complaints.
- Investigate discrepancies or issues related to revenue.

Individuals who post cash receipts to accounts receivable cannot:

- Review the accounts receivable aging trial balance.
- Authorize write-offs of delinquent accounts.
- Independently investigate accounts receivable discrepancies.
- Maintain or authorize accounts receivable adjustments.
- Edit the accounts receivable master file.
- Process customer service calls and complaints.
- Investigate discrepancies or issues related to revenue.
- Open the mail or copy checks received.
- Prepare deposits.
- Deposit cash receipts.
- Reconcile bank accounts.

At professional development events, pre-numbered receipts or cash registers will be used and controlled. A responsible person other than the event registrar register operator (cashier):

- Maintains custody of the key to the cash register tape compartment.
- Takes periodic readings of the register and compares the readings with the contents of the cash register.

A daily cash registration spreadsheet is to be used and copies of registration receipts attached to the spreadsheet. Funds are counted by at least two people and reconciled at the end of each day, and notes are made concerning any unusual items. The spreadsheet, registration receipts, and cash are to be given to the bookkeeper for processing.

Cash receipts are deposited intact promptly or stored in a secure location.

Adjustments of cash accounts are approved and documented by the accountant and Executive

Director.

Bank reconciliations are prepared and reviewed in a timely fashion.

Individuals who open mail or copy checks received cannot:

- Reconcile bank accounts.
- Investigate discrepancies or issues related to cash.
- Maintain the cash receipts journal.
- Post journal entries to the general ledger.

Individuals who deposit cash receipts cannot:

- Reconcile bank accounts.
- Investigate discrepancies or issues related to cash.
- Maintain the cash receipts journal.
- Post journal entries to the general ledger.

Individuals who reconcile bank accounts cannot:

- Investigate discrepancies or issues related to cash.
- Maintain access to cash.

Individuals who investigate discrepancies or issues related to cash cannot:

- Maintain the cash receipts journal.
- Post journal entries to the general ledger.
- Monitor suspense or clearing accounts usage.
- Maintain the chart of accounts.
- Edit transactional data.
- Approve edits of transactional data.

Individuals who review, authorize, or sign checks do not:

- Initiate checks for expenditures.
- Prepare checks.
- Mail checks.
- Edit the vendor master file.
- Investigate discrepancies or issues involving expenditures.
- Open the mail or copy checks received.
- Reconcile bank accounts.

Disbursements that require special approval by the Board of Directors are properly documented.

Checks are pre-numbered, the sequence is accounted for regularly, and unissued checks are controlled and kept in a secure location.

The Treasurer reviews all supporting documentation prior to signing checks greater than \$750.

Member or donor complaints are followed up and resolved on a timely basis.

The organization has procedures in place to ensure that only contributions that meet the criteria for recognition are recorded. The criteria are periodically reviewed by the Board of Directors. The organization assures compliance with the terms and conditions of all grants, restricted contributions, and endowments received by the organization. The organization keeps records of all contributions and gifts received, including the donor's name, amount, date, and any related restrictions.

Notes on the CMS Accounting System

CMS uses the QuickBooksPro accounting system. The system is hosted online by TheSageNext and accessed by appropriate CMS officers and staff, as well as the accounting firm.

CMS QBPro Details

License Number: 0420-4586-3065-675

Product Number: 994-510

User Licenses 2

TheSageNext Company Details

SageNext company website: www.thesagenext.com

CMS Server Name on SageNext system: QB04.thesagenext.com

CMS Usernames and Passwords are:

**** *****

**** *****

Price

Currently \$29/user/month

Webiste for monthly payment: <https://goo.gl/FKlj19>

Support

24x7 technical support, through via email/chat/phone and remote support, is available via TheSageNext website noted above or by calling 801-610-61141.

Official Account Information registered with TheSageNext

First Name: *****

Last Name: *****

Company Name: The College Music Society

Email: director@music.org

Address: Address

Street Address: 312 E. Pine St

Country: USA

State: Montana
City: Missoula
Zip Code: 59802
Phone: 4065319517
No. of Users: 2
Hosting Options:
Accounting Applications: QuickBooks Pro
Tax Programs:
Version (Accounting Applications): 2016
Version (Tax Programs): Version/Year...
Software Key Codes: Software Key Codes
Referred BY: Junkermier, Clark, Campanella, Stevens, P.C.
Message: Message....
IP Address: 69.144.18.138

QuickBooks Payroll

CMS uses the QuickBooks Payroll System which is integrated into the QuickBooksPro accounting system. Details are as follows:

Payroll service key: 4000-5767-0186-9348

Payroll account users:

email address: cms@music.org
pw: *****

email address: execdir@music.org
user name: *****
pw: *****

For support, the Payroll Support direct number is (800) 223-5562.