

CARDINAL MCCLOSKEY COMMUNITY CHARTER SCHOOL

FINANCIAL POLICIES AND PROCEDURES MANUAL

FEBRUARY 2024

Facilitated by:

CSBM
CHARTER SCHOOL
BUSINESS MANAGEMENT

— *experience. expertise. execution.* —

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INTRODUCTION

Purpose of Manual

Cardinal McCloskey Community Charter School (the “School”) is committed to developing and maintaining financial policies and procedures that ensure sound internal controls, fiscal responsibility, transparency and accountability in accordance with the generally accepted accounting principles (GAAP) practiced in the United States of America and the rules and regulations established by the Financial Accounting Standards Board (FASB). The School will follow all the relevant city, state and deferral laws and regulations that govern charter schools. As a nonprofit organization, the School is entrusted with funds granted by Federal, State, and City government agencies as well as Corporations, Philanthropic Foundations and Individual contributors. The policies and procedures outlined below will be part of the School’s system of internal controls designed to safeguard assets, promote operational efficiency, minimize waste, fraud and theft, and ensure accurate accounting data.

Changes to the Financial Policies and Procedures Manual

The School’s financial management team is responsible for periodically reviewing and revising the Manual as needed. The Board of Trustees will approve all amendments to the Manual.

Fiscal Year

The fiscal year of the School is from July 1st to June 30th.

Financial Leadership and Management

The financial management team of the School consists of:

- Board of Trustees
- Board Chair
- Finance Committee of the Board
- Finance Committee Chair
- Principal
- Director of Operations
- Bookkeeper
- Finance Consultant
- Chief Academic Officer
- Office Manager
- Operations Associates
- Parent Coordinator
- Executive Assistant
- Data Specialist

The financial management team outlined above is accountable for the fiscal oversight of the School. The financial management team will collectively work to make certain that all financial matters of the School are properly addressed with care, integrity, and accuracy in the best interest of the School.

INTERNAL CONTROL STRUCTURE

Background

Internal controls have been established to provide reasonable assurance to achieve the following:

- Effectiveness and efficiency of operations;
- Accountability and transparency of operations and transactions;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

Factors that impact the internal control environment can include school management and Board philosophy; organizational structure; ways of assigning authority and responsibility; methods of management and control; personnel policies and practices; and external influences such as significant donor expectations.

The internal control structure is composed of the following basic elements: (1) the control environment; (2) the accounting system; (3) control procedures; and (4) the accounting cycle.

1. Internal Control Environment

By implementing internal controls, the School establishes the importance of enforcing and maintaining accountability, transparency, and accuracy in its day-to-day financial transactions. Factors that impact the internal control environment can include school management and Board philosophy; organizational structure; ways of assigning authority and responsibility; methods of management and control; personnel policies and practices; and external influences such as significant donor expectations.

2. Accounting System

The School has implemented an accounting system consisting of processes and documentation used to identify, compile, classify, record and report accounting transactions. These processes were established to: (1) identify and record all of the School's fiscal transactions; (2) describe the transactions adequately, to allow proper classification for financial reporting, and (3) specify the time period in which transactions occurred, to record them in the proper accounting period.

3. Internal Control Procedures

The School has adopted a number of internal financial controls. These procedures are set up to strengthen the School's internal control structure in order to safeguard the School's assets. The internal financial controls consist of the following:

Segregation of Duties: A hierarchical structure of authority and responsibility has been developed at the School. Tasks are divided and allocated to guard against one individual having the ability to make an accounting error (either knowingly or unknowingly). This protects the School from any potential fraud or misappropriation of funds. In situations where there are an

insufficient number of employees to achieve this because of budget constraints, a compensating control has been created at the School.

Restricted Access: Physical access to valuable and moveable assets is restricted to authorized personnel.

Document Control: To ensure that all documents are captured by the accounting system, all documents will either be signed, initialed, stamped or electronically accepted and dated when recorded and then filed appropriately.

Records Retention: Records will be maintained for the periods sufficient to satisfy IRS regulations, federal grant requirements, Single Audit requirements (if applicable) and other legal needs as may be determined. Record retention requirements are reviewed annually with legal counsel and independent auditors to determine any necessary changes.

Processing Controls: The School has implemented processes that are designed to identify any errors *before* they are posted to the general ledger. Common processing controls include: (1) Source document matching; (2) Clerical accuracy of documents; and (3) General ledger account code checking.

Reconciliation Controls: In order to identify any errors that have been posted to the general ledger, the school has implemented review and reconciliation procedures such as bank and credit/debit card reconciliations, review and reconciliation of selected general ledger accounts.

Annual Independent Audit: The School's financial statements are audited annually by an independent audit firm selected by the Board of Trustees.

Security of Financial Data: The School's accounting software is accessible only to the Principal and the Finance Consultant. Individual usernames and passwords will be issued for each user and their access will be limited according to their functionality and role within the School. All hard copies of financial data, when not in use, will be secured in a designated area at the School.

Risk Assessment: The School has implemented policies and procedures designed to identify, analyze, and manage risk relevant to the preparation of accurate financial statements. This includes mitigating risks involving internal and/or external factors that might adversely affect the School's ability to properly record, process, summarize and report financial data.

Fraud Prevention: The School's policies and procedures are designed to detect and deter fraud. These include policies such as purchasing approval thresholds, payroll processing approvals as well as check signing requirements and thresholds.

4. Accounting Cycle

The accounting cycle is designed to accurately process, record, summarize, and report transactions of the School. The School will maintain their accounting records and related financial

reports on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when obligations are incurred (goods transferred or services rendered).

The components of the accounting cycle fall into five primary functions:

A. Revenue, Accounts Receivable, and Cash Receipts

Key tasks in this area include:

- Processing and recording cash receipts and making deposits;
- Performing month-end reconciliation procedures; and
- Tracking grant compliance and private revenue restrictions.

B. Purchases, Accounts Payable, and Cash Disbursements

Key tasks in this area include:

- Authorizing the procurement of goods and/or services;
- Processing purchases and recording invoices and issuing checks; and
- Performing month-end reconciliation procedures.

C. Payroll

Key tasks in this area include:

- Maintaining and processing payroll information;
- Performing quarterly and year end reconciliations; and
- Preparing required federal, state and local tax filings.

D. General Ledger and Financial Statements

Key tasks in this area include:

- Reviewing and reconciling general ledger activity;
- Reconciling bank accounts; and
- Producing financial statements.

E. Budgets and Financial Reporting

Key tasks in this area include:

- Preparation of annual budget; and
- Preparing monthly budget vs. actual reports.

ANNUAL BUDGETING AND REPORTING

Annual Budgeting

The School is responsible for creating annual operating and capital budgets as well as updating any multi-year budget projections (as needed). These will be approved and passed by the Board

of Trustees by June 30th before the start of the new fiscal year. Following this approval, any formal amendments to the budget will also be approved by the Board of Trustees.

Financial Reporting

The School will complete and present financial reports as required by the Board of Trustees, including but not limited to the following:

- (1) Budget vs. Actual report with projections for the operating and capital budgets;
- (2) Balance Sheet;
- (3) Statement of Cash Flows as needed;
- (4) Cash Flow projections as needed; and
- (5) Federal grant reports as needed.

Annual Audit

The School will undergo an annual independent audit conducted by an audit firm engaged by the Board of Trustees. The audit will be performed shortly following the close of the School's fiscal year-end. Audited financial statements will be submitted to the New York State Education Department and the School's authorizer by November 1st of each fiscal year and will include a management letter, if applicable, along with any other required reports.

The School Leadership and Board of Trustees will review any management or advisory letters issued as a result of the annual audit. A correction action plan will be developed, documented and monitored by School Leadership and the Board of Trustees.

If total federal expenditures for the fiscal year should exceed \$750,000 (or current federal guidelines), an additional audit under the Uniform Guidance for Federal Awards (Title 2 of the CFR, Subtitle A, Chapter II, Part 200)¹ will be also conducted by the independent audit firm and filed with the Federal Government, New York State Education Department and the School's Authorizer by December 1.

REVENUE, ACCOUNTS RECEIVABLE AND CASH RECEIPTS

Revenue Compliance

The School's accounting and documentation system will be capable of meeting the specific requirements imposed by grant agreements and donor designations and restrictions. Restriction parameters (such as job codes, donors, funds or classes) will be set up in the accounting system to allow for accurate tracking of the applicable revenue, expenses, and assets based on the funding requirements.

¹ Uniform Guidance for Federal Awards http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl

- All grant expenditures/costs reported will be reconciled to the books by the Finance Consultant prior to the submission of any reports.
- The School will establish and document an annual cost allocation plan (for both direct and indirect costs), which is reviewed and approved by the Board of Trustees.
- Expenses will not be charged over 100% against multiple grants.
- The Principal, with support from the Finance Consultant, will ensure that all reporting requirements and deadlines are met.

Revenue Recognition for Grants

Revenue is recognized when earned and when contributions are received or awarded in accordance with GAAP.

In-kind Contributions

Donated Goods and Services

Donated goods and services are recorded in the accounting system at fair value or at the cost that would have been incurred had the School had to purchase the goods or services. This cost should be determined by the donor and documented in writing.

Donated Securities

Publicly traded securities may be accepted. The School will sell all gifts of public securities as soon as reasonably possible with the cash from the sale transferred to the School's bank account. The securities will be valued at the closing price on the date of sale.

Contributions Acknowledgment Letter

When the School receives a donation or an unconditional pledge in excess of \$250, a contribution acknowledgement letter stating the value of the donation is drafted by the Director of Operations, signed by the Principal, and sent to the donor. The acknowledgment will include:

- The amount of cash received, and a description of any other property contributed (for in-kind goods contributed in which donor determines fair value for their individual tax purposes, the donor provided fair value is included as contribution);
- A statement about whether any goods or services in return for the contribution were provided; and
- A description and an estimated value of what was provided if the School provided something in return for the contribution.

These rules do not apply on a cumulative basis. One contributor who makes separate donations, each of which is less than \$250 but in the aggregate is greater than \$250, is not required to receive an acknowledgment.

Accounts Receivable Aging

All outstanding accounts receivable are aged on a thirty, sixty, ninety, and over-ninety-day basis. The Principal will review the accounts receivable aging monthly, determine which invoices are collectible, and follow the necessary requirements based on the type of funding, in order to collect. Accounts receivable that are deemed uncollectible will be written off once approved by the Principal and the Board Chair based on thresholds shown on the table below. If receivables go beyond a year, the amount recorded may be discounted to its present value.

Below \$20,000	Above \$20,000
•Principal approval	•Board Chair approval

Federal Awards

For funds received from the Federal Government such as Title Funding, the School is required to adhere to specific requirements. Below and throughout this manual, references will be made to the specific requirements for those federal funds.

Allowability Procedures

Before any grant funds are budgeted and expended, staff are required to determine the cost eligibility based on the following factors:

- Necessary, reasonable and allocable
- Conform with federal law and grant terms
- Consistent with state and local policies
- Consistently treated
- In accordance with GAAP
- Not included as a match
- Net of applicable credits
- Adequately documented

The following link will be used to determine specific cost eligibility:

Office of Management and Budget, Circular No. A-122.

<https://georgewbush-whitehouse.archives.gov/omb/circulars/a122/a122.html>

Payments made for costs determined to be unallowable by either the Federal awarding agency or pass-through will be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs are unallowable.

Single Audit Requirements

The link below can be referenced for Single Audit requirements related to each grant:

Office of Management and Budget, Circular A-133.

<https://georgewbush-whitehouse.archives.gov/omb/circulars/a133/a133.html>

Report and Payment Request Certification

For all federal grants, an official authorized to legally bind the School will be required to certify all reports and payment requests by signing and agreeing to a statement such as the following, either in writing or via an online portal:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information or the omission of any material fact, may subject me to criminal civil or administrative penalties for fraud, false statements, false claims, or otherwise.”

Federal Cash Receipts

Drawdowns/advances will be disbursed within specified time and maintained in an insured account. The funds will also be held in an interest-bearing account, if:

- Aggregate federal awards are over \$120,000; and
- Account is expected to earn in excess of \$500 in interest per year; and
- Bank required minimum balance is feasible for the School to maintain.

Interest amounts earned up to \$500 may be retained by the School for administrative purposes. Interest over \$500 will be returned to the granting agency.

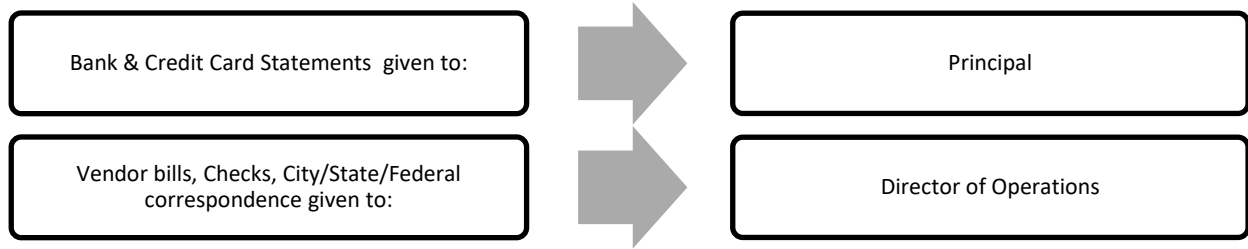
Payroll (Time and Effort Documentation)

Charges to Federal awards for salaries and wages will be based on records that accurately reflect the work performed. Such records may include employee certifications signed by the employee performing the work and their respective supervisor.

Distribution of Mail

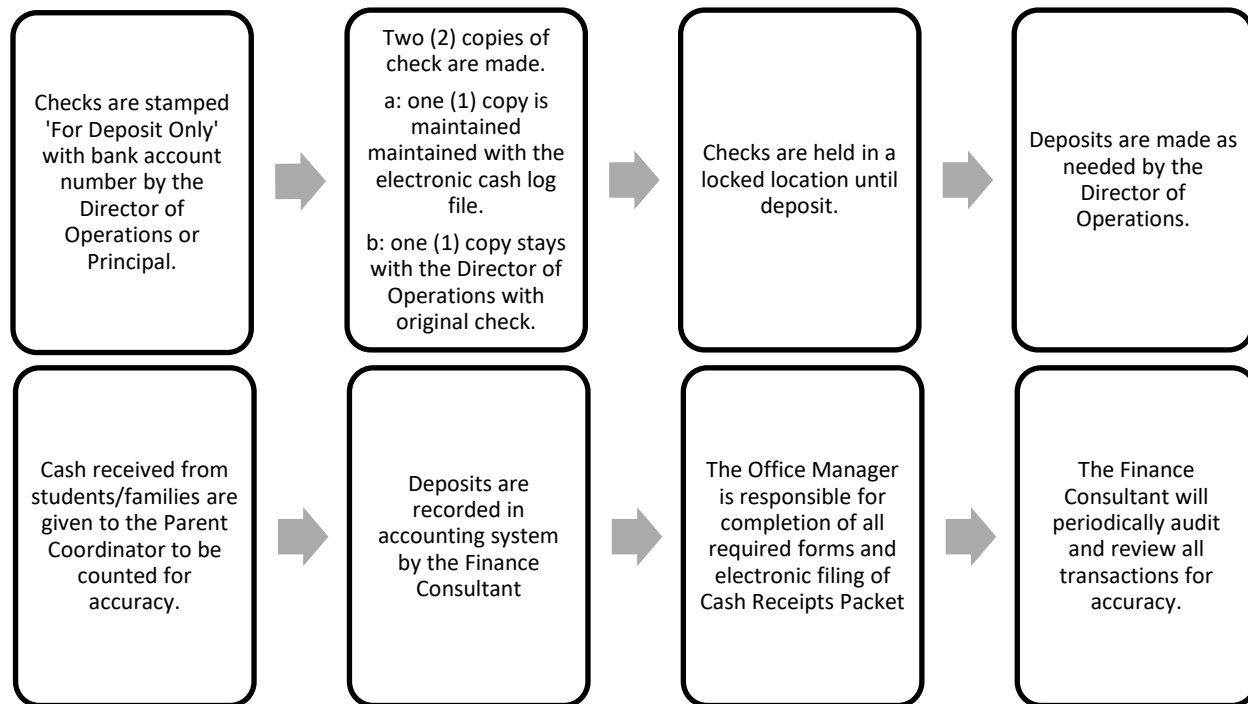
The Office Manager or Director of Operations sorts and distributes all mail on a daily basis.

- Bank statements and debit card statements are distributed to the Principal unopened for review.
- Vendor bills/statements, checks for deposit and city/state/federal agency correspondence are distributed to the Director of Operations unopened for review.



Receiving, Processing and Recording Cash Receipts

- All checks will be stamped immediately in the designated endorsement area with “For Deposit Only” by the Director of Operations or Principal, with the appropriate bank account number and the name of the School.
- The Executive Assistant will make two copies of the check, one copy is kept with the electronic Check Log File and the other copy along with the check is kept by the Director of Operations.
- The Director of Operations is responsible for making all deposits. Checks will be secured in a locked location until deposited, and deposits will be made as needed.
- Payments received from students/families (for example, school lunch fees, uniforms, field trips) will be collected by designated staff and submitted to and counted for accuracy by the Parent Coordinator.
- The Finance Consultant records the receipt of funds in the accounting system.
- The Office Manager is responsible for ensuring the completion and electronic maintenance/filing of the Cash Receipts Packet which includes
 - Copy of deposit slip;
 - Deposit Detail from accounting system;
 - Bank-endorsed proof of deposit;
 - Copy of all checks and cash receipt logs for currency; and
 - Additional documentation received with the check.
- The Finance Consultant will periodically audit and review all transactions for accuracy and proper supporting documentation.



PURCHASES, ACCOUNTS PAYABLE AND CASH DISBURSEMENTS

Background

The School procures only those items and services required to fulfill the mission and/or fill a bona fide need. Procurements are made using best value contracting, which entails assessing the best value considering quality, performance, and price.

The School adheres to the following objectives:

- Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable considerations such as delivery, quantity, quality.
- The School will make all purchases in the best interests of the School and its funding sources and in accordance with any grant restrictions as applicable.
- The School will buy from reliable vendors.
- The School will not contract with a vendor who has been suspended or debarred. www.sam.gov
- The School will obtain maximum value for all expenditures.
- The School will be above suspicion of unethical behavior at all times and avoid any conflict of interest, transactions with related parties, or even the appearance of a conflict of interest in the School supplier relationships. The School’s conflict of interest policies are described in its By-laws.
- All contractors will possess the financial and technical resources necessary to provide service/goods.

Exemption from Sales Tax

The School is exempt from federal and state tax. As such, the School is exempt from sales taxes on goods purchased for their own internal use. The Director of Operations is responsible for ensuring that all vendors have a copy of the sales tax exemption letter.

Competitive Bids and Quotes

A bid is a formal request to a vendor for a price for goods and services customized to the School. A quote is a widely available price for goods and services not necessarily specific to the School, e.g. A listed price on website or other advertising.

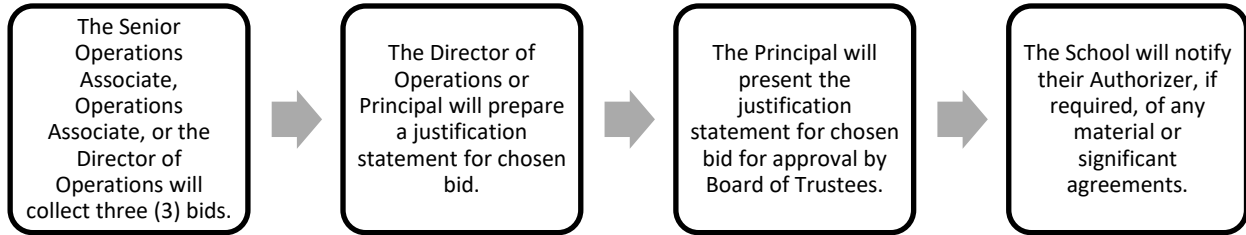
- For items purchased with Federal funding, three competitive quotes are required for goods and services over \$10,000.
- For items purchased with non-Federal funding, competitive quotes are required for goods and services over \$20,000.
- The Director of Operations is responsible for soliciting and documenting these quotes.
- Competitive bidding will be based on the procedures outlined below.

Competitive Bidding Guidelines

NO COMPETITIVE BIDS REQUIRED	COMPETITIVE BIDS REQUIRED
<ul style="list-style-type: none">• Preferred Vendor: has a contract with New York City, New York.• Sole Vendor: provides a unique service or product not offered by other vendor.• Other Vendors: Below \$20,000	<ul style="list-style-type: none">• Non-preferred or non-sole vendors: Above \$20,000

Competitive Bidding Procedure

- The School will seek bids from at least three vendors and award the contract to the qualified vendor offering the supply or service needed for the lowest price.
- The Senior Operations Associate, Operations Associate and the Director of Operations are responsible for soliciting and documenting these bids.
- The Board of Trustees will provide final approval after multiple bids are presented to them with recommendations.
- Award may be made to a vendor other than the low bidder in circumstances which the higher bid demonstrates best value to the School. In such situations, the Director of Operations or Principal shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision.
- If required by the School's Authorizer, the School will notify the School's Authorizer of any material or significant purchases, contracts and agreements in addition to obtaining Board of Trustee approvals.



Purchase and Payments Approval Guideline

Processing Purchases

Approval

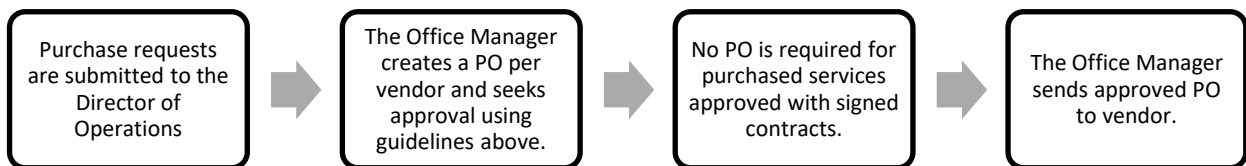
No staff member may approve their own purchase requests. Each purchase must be approved as follows:

Below \$20,000	Above \$20,000
•Principal approval	•Principal and Board Chair or Treasurer approval

For recurring charges (such as rent, benefits, utilities, etc.) over \$20,000, annual approval is acceptable.

Purchase Orders Process

- Requests for purchases are submitted to the Director of Operations.
- The Office Manager creates a Purchase Order (PO) per vendor and based on the total value of the Purchase Order, seeks approval based on the table above. All purchasing thresholds apply to the entire order, not single items.
- Purchased services that are approved through signed contracts do not need a PO.
- The Office Manager then sends the order to the vendor, accompanied by any required documentation.

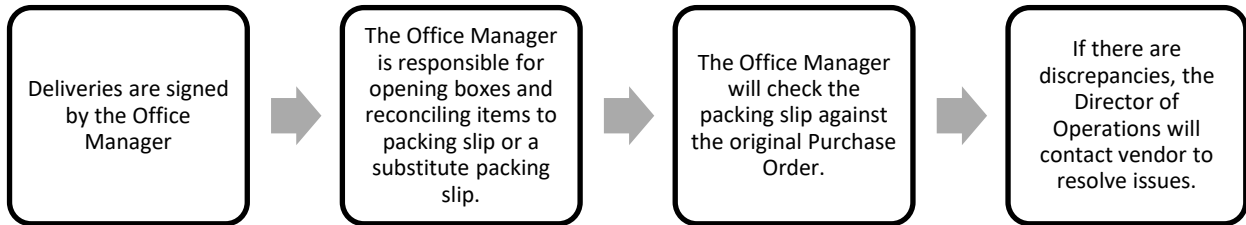


Receipt of Goods

- The Office Manager will sign for delivery.
- The Office Manager is responsible for opening the box(es) and obtaining and signing the packing slip(s). In instances where there is no packing slip, a substitute packing slip will

be filled out and signed by the Office Manager.

- The Office Manager will check the packing slip against the original PO.
- If there are discrepancies with the order, the Director of Operations will contact the vendor to resolve any issues.



Processing Disbursements

Check Signing Authority

In no event shall an authorized signatory approve an invoice, execute a check, or authorize a disbursement of any kind, payable to her/him.

Below \$20,000
•Principal approval

Above \$20,000
•Principal and Board Chair or Treasurer approval

For recurring charges (such as rent, benefits, utilities, etc.) over \$20,000, single signature with annual approval is acceptable.

Disbursement Process

The school utilizes a cloud-based online AP management system for the processing and approval of vendor and other payments. The majority of AP is disbursed through this system; however, paper checks are kept on site for limited use.

The following positions have access to the AP management system: Board Chair, Finance Consultant, Director of Operations, Office Manager, and Principal. The Finance Consultant acts as the administrator for the account. All staff have their own login and unique password. Reset requests are administered by the AP management system and require two-step verification. Should any staff be terminated, access to the system is immediately deactivated.

Disbursement Process – AP Management System

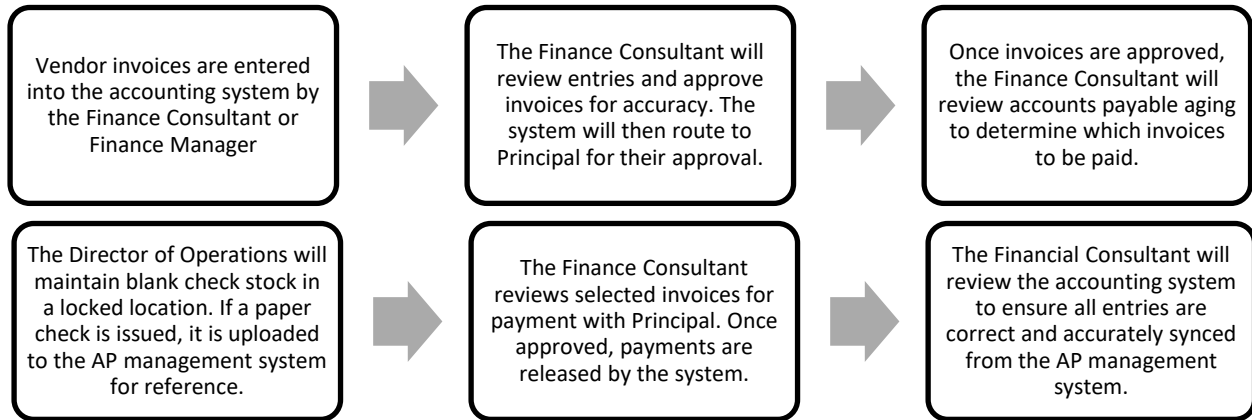
- Vendor invoices are sent to the cmccsbilling@bill.com
- The vendor invoice is uploaded into the accounts payable system by the Finance Consultant or the Office Manager.
 - The files uploaded consist of the following (also referred to as the Invoice Packet):
 - Vendor Invoice;

- Associated vendor contract, if applicable
 - A copy of the check (digitally provided once the AP management system processes the check batch)
 - Other documentation, if applicable
- Once the invoice and all supporting documents are uploaded into the system, the invoice is approved through the following standard process:
 - Finance Consultant approves invoice entry, ensuring accurate data.
 - The Principal then reviews and approves the invoice.
 - Expenses may require approval from different budget managers. These are noted below. These approval routes are created within the system.
 - Expenses that are \$20,000 and greater require an additional approval before being paid. These invoices will be routed to the Board for final approval through the AP Management System. The designated approver will receive notification via email through the AP Management system when required.
- Once all approvals have been granted through the AP Management System, the Finance Consultant will then review invoices to be paid, taking into consideration purchase discounts whenever possible. The Finance Consultant will also consider, along with the Principal or other required parties, old invoices to write off.
- The Finance Consultant will review selections with the Principal, who then approves final bills to push to payment authorization.
- Once payment authorization is received, the AP management system will cut and mail each check (or ACH batch).
 - The checks are run weekly, or as needed.
 - Funds are drafted from the school's operating bank account and transferred to AP Management for check issuance.
 - AP Management system monitors all checks for fraud.
 - Copies of all checks are digitally provided by the system.
- A log of the approval process is kept on file for each invoice, along with any notes left by each approver.
- Any and all voided checks will be processed and logged by the AP system.
- In instances where a physical check is required on location, the original paper check disbursement process listed in the FPP is followed.
 - This may be dictated by situations requiring same-day turnaround, hand delivery, or other urgent needs.
 - All paper check copies are uploaded into the AP management system for reference.

Reconciliation with accounting software:

- Once all activity within the AP management system is complete, the data is synchronized back to the accounting system using cloud-based technology.
- The Financial Consultant will review the accounting system to ensure all entries are correct and accurately synchronized.

- Payment batches drafted from the school’s bank account are reconciled in the regular bank reconciliation process.
- Checks processed by the AP management system are reconciled against their respective batch.
- AP aging will be reconciled to the General Ledger
- The AP management system monitors all checks for void status (stale checks).



Accounts Payable

When needed, the Finance Consultant and the Principal will review the accounts payable aging, to determine the available cash balances while taking into consideration other cash requirements in the near future and selecting which items to pay.

Reimbursable Expenses

General

- With prior approval, as described below, staff may make the purchase with their own funds and apply for reimbursement.
- Reimbursable expenses will require pre-approval by the Director of Operations via the Expense Reimbursement form.
- The Director of Operations will approve the Principal’s expense reimbursements.
- Receipts are required for all expenditures requiring reimbursement.
- Employees will note that the School is tax exempt and therefore does not reimburse employees for sales tax. A copy of the Sales Tax-Exempt Certificate may be obtained from the School for use when making reimbursable purchases.

Board Related Expenses

Board members will not be reimbursed for any expenditure, other than those incurred to attend special meetings of the Board of Trustees and/or incurred as a direct result of performing school-related business that requires the Board’s participation.

Travel Expenses

- All travel arrangements and expenses will be pre-approved by the Director of Operations (The Director of Operations will approve the Principal's travel arrangements.)
- All pre-approved travel arrangements will be purchased or reimbursed by the School.
- Expectations for daily expenses or per diem allowances will be determined prior to the employee's trip.
- Receipts are required for all expenditures requiring reimbursement, and requests for reimbursement will be made within 45 days of expense.
- Approved Expense reports will be submitted to the Director of Operations for processing.

Documentation of all expenses will comply with IRS requirements and clearly show:

- Date
- Names of those in attendance
- Location
- Business purpose
- Amount

Mileage Reimbursement

- All employees are reimbursed at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business-related travel as approved by the Director of Operations.
- Parking fees and toll fees are reimbursable if supported by receipts.

Political Contributions

No funds or assets of the School may be contributed to any political party or individual who either holds public office or is a candidate for public office. The School also cannot provide financial or in-kind support to any organization that raises funds for political purposes. Examples of prohibited activities are:

- Political contributions by an employee that are reimbursed by the School;
- Purchase by the School of tickets for political fundraising events; and
- Contributions in-kind, such as lending employees to political parties or using School assets in political campaigns.

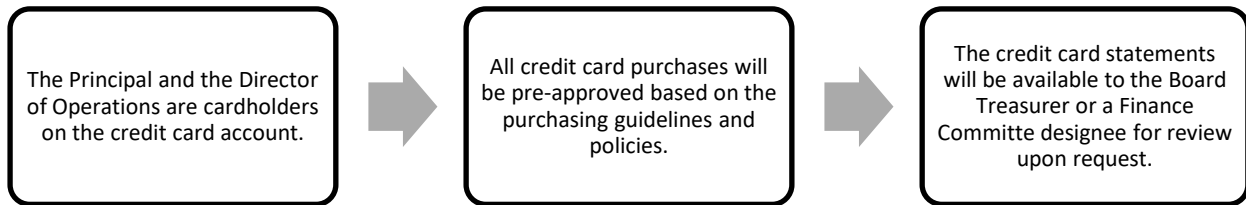
Cellular Telephones

Authorized employees of the School may be reimbursed up to \$40.00 per month for school-related calls based on proper documentation and approval by the Director of Operations. Authorized employees are limited to leadership staff.

Credit Card Purchases

- The School maintains a credit card account in the name of the School, with cards issued to the Principal and the Director of Operations.

- Credit card balances are maintained on the online platform Divvy.com to minimize the School’s risk.
- All cardholders will sign and adhere to the School’s Debit Card Usage Agreement.
- All credit card purchases/payments will be pre-approved based on the purchasing guidelines and policies outlined previously.
- In addition, credit card statements will be available to the Board Treasurer or a Board Finance Committee Designee for review upon request.



Responsibilities of Cardholder

The cardholder is responsible for the safekeeping of the card, and will be held accountable to:

1. Ensure that the card is used only for legitimate school purposes;
2. Adhere to the Credit Card Agreement;
3. Maintain original receipts, invoices, purchase documents and correspondence including all detail related to the purchases on file for audit purposes, and to provide the School with copies of such documents upon request; and
4. Advise the School of any incorrect charges/transactions in order to follow-up and obtain credit from the issuing institution if warranted.

Cancellation and Renewal of Cards

All relevant cards will be cancelled should an individual cardholder leave their position or role with the School and if any of the above policies, procedures, and guidelines are not followed.

Rewards Program

If applicable, any rewards/points earned on the credit card will be redeemed monthly and credited towards the amount due or used for school related purchases.

PAYROLL

Hiring

The School’s philosophy is that success depends on hiring highly qualified professionals who are dedicated to ensuring that the services rendered to the students are of a high standard, under the direction of the Principal and the Board.

- Recruitment will consist of a comprehensive process that includes advertisements in newspapers and educational journals, extensive networking and/or use of regional and national educational search firms and online publications.
- All new employees will receive a signed and approved employment letter from the Principal.
- Any new employees will be subject to fingerprinting and any additional background checks and references as deemed necessary.
- Once the new employee is hired, the Director of Operations will collect all necessary payroll data (see Personnel File table) and share it with the Finance Consultant. The Finance Consultant will communicate it to the outside payroll service provider.

Salary Determination

- The School will review comparable data which can include compensation surveys and executive compensation reported in the IRS Form 990 of other charter schools.
- The Board of Trustees determines the salaries for key employees (Principal). Any such decisions will be captured in the Board meeting minutes.
- Any changes to a staff member's salary will be approved by the Principal in writing or electronically and maintained in the employee file.
- The Board of Trustees is provided with a detailed supporting schedule of compensation with the annual budget.
- If applicable, bonus calculations, requirements, and eligibility will be approved by the Board of Trustees, outlined explicitly, and recorded in the meeting minutes.

The School complies with the laws and general principles of employee confidentiality as set forth in the Health Insurance Portability and Accountability Act (HIPAA)² with regard to the dissemination of private health information (PHI) of School employees. To comply with all rules and regulations, including the Americans with Disabilities Act (ADA)³, the School will keep all medical records and all other related documents separate from the personnel file.

Analyzing Job Information

The Fair Labor Standards Act (FLSA)⁴ sets employee minimum wage and overtime requirements. Job positions are classified as either exempt or non-exempt from the requirements. These requirements are summarized below and are adhered to by the School.

Compensation Accrual

Unpaid compensation (including summer pay, sick and personal) as of June 30th of each fiscal

² Health Insurance Portability and Accountability Act (HIPAA); <http://www.hhs.gov/ocr/privacy/hipaa/administrative/index.html>; access on 07/2010

³ Americans With Disabilities Act of 1990, as Amended; <http://www.ada.gov/pubs/adastatute08.pdf> ; access on 07/2010

⁴ Fair Labor Standards Act (FLSA); <http://www.dol.gov/whd/flsa/index.htm> ; access on 07/2010

year will be accrued in accordance with GAAP.

Obtaining Payroll Information

The Director of Operations is responsible for obtaining the following for every employee:

General	Payroll	Benefits/Releases	Compliance
<ul style="list-style-type: none"> • Hire letter (signed by both parties) • Job description • Resume • Emergency Contact Form • Resignation letter 	<ul style="list-style-type: none"> • I-9 (to be kept in separate file) • Federal Form W-4 • NYS IT-2104 • Direct Deposit • NYS Wage Theft Prevention Form 	<ul style="list-style-type: none"> • Health/Dental/Vision • Life/Disability • Retirement/Pension 	<ul style="list-style-type: none"> • Fingerprint Clearance • Certifications (if applicable)

- All personnel files will be kept in a locked file cabinet and kept based on record retention requirement, Annex 2.
- Access to such personnel files is limited to the Principal, Director of Operations, and Finance Consultant.
- No employee can review or access their own personnel file without written permission of the Principal.
- No personnel file is to be copied or removed from the office where it is kept unless expressly permitted in writing by the Principal.

Time Reporting Procedures

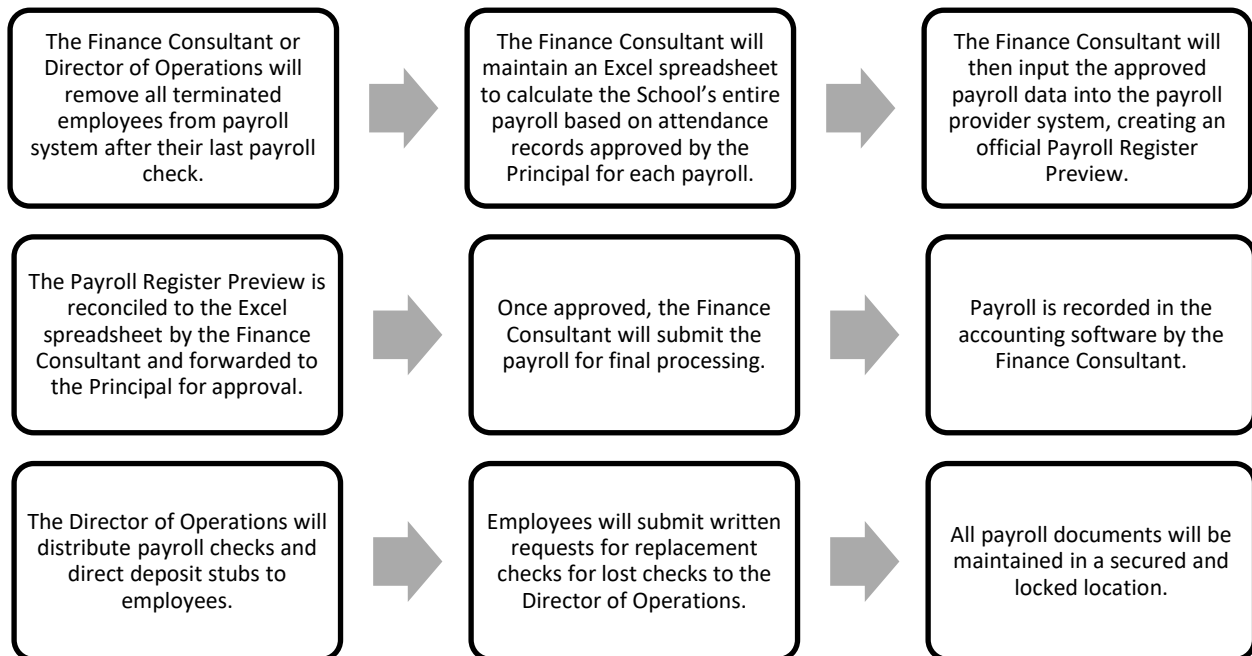
- All employees are responsible for tracking the actual time they have worked and paid time off, in accordance with the Employee Manual.
- The Director of Operations, with support from the Data Specialist, will keep track of all days the employees are not at work based on approved Leave Request Forms.
- All overtime work will be pre-approved by their supervisor.
- Time off for no-fault days, leaves of absence, and unpaid lunch hours will not be considered hours worked for purposes of calculating overtime pay.
- If federal funds such as Title are used for salaries, then time distribution records are required and will accurately reflect the work performed for each award.

Processing Payroll

- Any changes to an individual’s compensation will be approved in writing by the Principal and submitted to the Director of Operations.
- The Finance Consultant and the Director of Operations are responsible for removing terminated employees from the payroll system immediately after the terminated employee has received their last payment from the School.
- The Finance Consultant will maintain an Excel spreadsheet to calculate the School’s entire

payroll based on attendance records approved by the Principal for each payroll.

- The Finance Consultant will then input the approved payroll data into the payroll provider system, creating an official Payroll Register Preview.
- The Payroll Register Preview is reconciled to the Excel spreadsheet by the Finance Consultant and forwarded to the Principal for approval.
- Once approved, the Finance Consultant will submit the payroll for final processing.
- Payroll is recorded in the accounting software by the Finance Consultant.
- The Director of Operations will distribute payroll checks and direct deposit stubs to employees.
- The Director of Operations controls and monitors all payroll checks that are not deliverable and not cashed.
- Employees will submit written requests for replacement checks for lost checks to the Director of Operations. The Director of Operations will advise the Finance Consultant in order to have the original check voided and a replacement check issued.
- All payroll documents will be maintained in a secure and locked location.
- Documentation for each payroll consists of the following:
 - Approved Excel Spreadsheet;
 - Payroll Register Preview;
 - Principal approved documentation for payroll changes to individual employees (i.e., new hires, terminations, pay rate changes, or payroll deductions);
 - Attendance records;
 - Overtime timesheets; and
 - Final Payroll Register and Reports signed by the Principal.



The School is on a semi-monthly payroll cycle which is made up of twenty-four (24) pay periods

per year. 10.5-month salaried employees' (i.e., Instructional Staff) pay is spread out over these 24 pay periods to cover the summer months. Part-time hourly employees are only paid for time worked. Changes will be made and announced in advance whenever the School holidays or closings interfere with the normal pay schedule.

Payroll Reconciliations

The payroll vendor is responsible for the preparation of quarterly and annual payroll tax filings. The Finance Consultant is responsible for reviewing all payroll tax documents and supporting schedules for accuracy and completeness.

Quarterly Reconciliation of Payroll to Accounting Records

On a quarterly basis, the Finance Consultant will prepare a reconciliation of all salary accounts, benefit deductions and payroll taxes in the general ledger, to the Federal and State quarterly payroll tax forms. Any variances are researched and cleared within the month following quarter end.

Annual Reconciliation of Payroll to Accounting Records

On an annual calendar basis, the Finance Consultant with assistance from the Director of Operations will prepare a reconciliation of the general ledger with the W-3, annual payroll reports and payroll tax returns. Once this reconciliation is completed, W-2s are distributed to employees by the required IRS due date.

MANAGEMENT OF CASH

Bank Accounts

The School has the following accounts:

- Checking Account (Operating Account)
- Divvy Credit Card Account
- Escrow Account*

*The Escrow Account for Dissolution is required by the School's Authorizer to be a Board of Trustees-controlled dissolution account, whose sole purpose is to pay for legal and audit expenses associated with the dissolution of the School should it occur. The School's Authorizer requires the School to set aside \$75,000 over the first three years in this Escrow Account earmarked for the above-named purpose.

In all instances, the School is utilizing its accounts in a way that safely maximizes its overall interest income. The School has the following authorized signatories on the accounts;

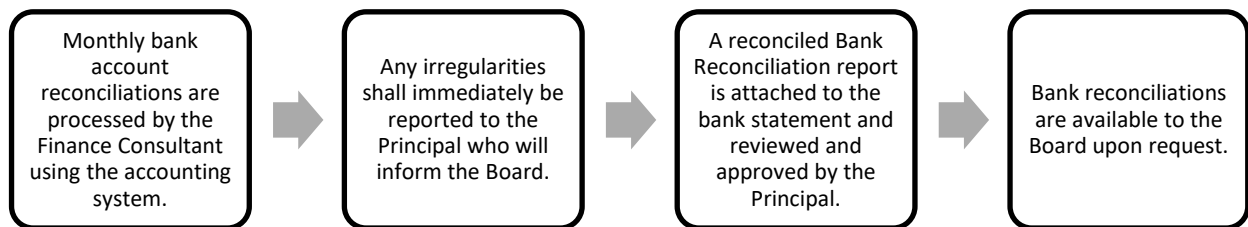
- Board Chair
- Principal

Board approval is required to open or close a bank account and will be recorded in the board meeting minutes.

The School recognizes that federal insurance on deposits with a participating bank institution is limited to a total of \$250,000.00, regardless of the number of accounts held. If deemed necessary, the School may negotiate with the financial institution in order to secure such deposits in excess of federal coverage.

Bank Reconciliation

- Monthly bank account reconciliations are processed by the Finance Consultant using the accounting system.
- Any irregularities shall immediately be reported to the Principal who will inform the Board.
- A reconciled Bank Reconciliation report is attached to the bank statement and reviewed and approved by Principal.
- Bank reconciliations are available to the Board upon request.



Outstanding Checks

Checks outstanding for 90 days or more will be investigated by the Finance Consultant. Based on the outcome of the investigation, the check will be voided in the accounting system, a stop payment issued with the bank, and a new check issued to the vendor.

Cash Transfers

- Cash balances in all the School bank accounts will be monitored by the Finance Consultant and the Principal to ensure that an adequate amount of funds is on hand to meet the School’s financial obligations.
- Transfers **among** the School accounts (only) may be made by the Principal as needed, per approval from the Principal.

Petty Cash Account

The School does not maintain petty cash.

Investment of Funds

The Board Chair has been granted authority in conjunction with the Board Finance Committee

approval to:

- Purchase and sell investments;
- Have access to investment certificates;
- Keep records of investments and investment earnings; and
- Review and approve investment accounting, bank and broker statement reconciliations, adjustments to the carrying value of investments, and other decisions regarding investments.

Authorization of Investment Vehicles

The School's Board of Trustees authorizes use of specific depository and investment banks and brokerage firms. This authorization is documented in the minutes of the applicable board meeting and communicated to the Principal. The Principal communicates the authorization and a list of those personnel designated as authorized agents for the agency to the appropriate banks and firms.

Reconciliation of Investment Accounts

Investment account balances are reconciled with the general ledger balance by the Finance Consultant on a monthly basis and reviewed with the Principal.

PROPERTY AND EQUIPMENT

Capitalization Policy

The School will capitalize items with an acquisition cost of \$5,000 or more **and** useful life greater than one year. Federal award purchases of \$5,000 or more per unit and useful life greater than one year will be capitalized. These items are also subject to the School's depreciation policy, outlined below.

In instances where a large quantity of one single item is purchased, if the total value exceeds the \$5,000 threshold, the items may be capitalized. For example, if a School buys 100 desks at \$250 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a combined value of \$25,000, which will be capitalized.

Asset Tracking Process

Upon receiving any property that qualifies as a fixed asset, the Director of Operations is responsible for recording the following into the Fixed Asset Tracking List:

- Asset tracking number as designated by the School;
- Asset name, use, condition and description;
- Classification (i.e., land, building, equipment, betterment, leasehold improvements, furniture, computer hardware and software);

- Serial number, model number, or other identification;
- Indicate if the title vests with the governmental agency, if required;
- Vendor name and acquisition date or date placed in service;
- Location of the equipment;
- Purchase Value;
- Disposal Date and Reason; and
- Specify the dollar amount of any asset purchased with grant fund.

Each item is also physically tagged in a visible area on the item and with an indication of whether the item belongs to the School or a governmental agency (i.e., purchased with grants such as the Department of Youth and Community Development).

No employee may use or remove any of the School property, equipment, material or supplies without the prior approval of the Director of Operations.

The Office Manager performs inventory audits bi-annually (in addition, documented inventory audit is required if assets are purchased with federal funds), verifying, and updating the data contained in the Fixed Asset Tracking List. The Fixed Asset Tracking List is reconciled to the General Ledger by the Finance Consultant with the assistance of the Office Manager and Director of Operations.

Depreciation Policy

Depreciation associated with fixed assets is calculated based on the asset’s useful life using the straight-line depreciation method. Depreciation is based on the month the item was actually purchased. For instance, if the School purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12) and recorded as such. But if the School purchased the computer in April, then it would be depreciated for just one-fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June.

Asset Category	Useful Life
Computers	3 years
Equipment	3 years
Furniture	7 years
Musical Instruments	5 years
Leasehold Improvements	Shorter of: 1) the useful life of the leasehold improvements, or 2) the remaining years of the lease

Disposition of Assets

Any item that is damaged, sold, lost or stolen will be taken out of service and written off.

Assets Purchased with Federal Funds

For assets purchased with federal funds the School will request disposition instructions from the

federal awarding agency when required.

Otherwise, assets may be retained, sold or otherwise disposed as follows:

- Transferred to another federal program.
- Assets with a fair market value over \$5,000 per unit – the School is required to pay the awarding agency its proportionate share of the asset’s disposition/selling price.
 - The School may deduct and retain \$500 or 10% of the proceeds for selling and handling instructions.⁵
- Assets with a fair market value under \$5,000 per unit – no accountability (still will formally dispose)

Employees that are issued school equipment will complete the School’s equipment usage agreement.

DEBT

Board approval (as documented in the board meeting minutes) is required for incurring any loans, notes, bond financing or lines of credit for the School. The Board Chair and Principal will be authorized to negotiate the debt on behalf of the board. Two signatures (Board Chair and Board Treasurer) are required for all approved debt agreements.

All loan covenants and restrictions will be reported to the full Board when the debt is authorized. The Finance Consultant and Auditors will periodically review and track the School’s adherence to these covenants and report to the Board of Trustees if there are any violations or potential violations.

The Finance Consultant will reconcile the general ledger debt balances to statements or amortization schedules on a monthly basis.

CONTRACTS AND LEASES

The Principal and Director of Operations will be authorized to negotiate and sign any contracts and lease agreements that require the approval of the Board of Trustees based on the School’s purchasing guidelines. Board approval of these documents will be documented in the board minutes.

The Finance Consultant and Director of Operations will periodically review contract or lease details to ensure proper compliance and recording.

⁵ Education Department General Administrative Regulations (EDGAR) Requirements for Equipment & Real Property Management. <https://www2.ed.gov/policy/gen/leg/recovery/072610-edgar-info.doc>

Utilization of Independent Contractors/Consultants

- When the School makes the choice to utilize an independent contractor, it first ensures that the individual does qualify as an independent contractor and will not be categorized as a regular employee⁶.
- The School will maintain a written contract with the contractor/consultant.
- The School will obtain Form W-9 from the contractor/consultant prior to issuance of the first payment for services provided.
- In all cases where total payment exceeds \$600.00 in a calendar year, the School will issue IRS form 1099-Misc, as required by law.

IRS FORM 990 PREPARATION AND FILING

The preparation of the School's IRS Form 990 and required State filings, if applicable, will be contracted out to the independent accountants. The Board's Finance Committee and the Finance Consultant will review the 990 draft. Any changes are communicated to the independent accountants and a revised draft is then forwarded to the Board designee. The Board of Trustees will approve the IRS Form 990 prior to filing. This approval will be documented in the Board minutes. The 990 will be signed by the Principal and all Board Members will receive a copy.

INSURANCE COVERAGE

The School maintains insurance policies such as: Property, Crime, General Liability, Directors' & Officers', Umbrella Liability, Student Accident, and Worker's Comp.

The Director of Operations will conduct an annual review of all policies, coverage and any policy restrictions to preserve the School's assets and lower the risk of being underinsured. The Director of Operations is responsible for procuring annual renewals with the School's insurance broker at least one month in advance of a policy's expiration. A summary of insurance coverage will be shared with the Board of Trustees for review of risk and liability.

Any vendor (including Independent Consultants) doing business on School grounds (e.g., food service, construction, maintenance, etc.) or with School's students (e.g., bus company) will carry adequate insurance that satisfies the School's requirements and will issue a certificate of insurance that names the School as Additional Insured.

⁶ Internal Revenue Service: Independent Contractor (Self-Employed) or Employee?

<https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Independent-Contractor-Self-Employed-or-Employee>

RECORDS RETENTION

Records Retention Policy

All confidential paper records shall be maintained in locked facilities on School premises. The School maintains an established Disaster Recovery Policy. Annex 2 contains a sample reference table which provides the minimum requirements for records retention.

Records Access Policy

The Director of Operations will provide access to the School's records, as requested by any auditors, the school's authorizers or governmental agencies to facilitate the completion of such audits or reviews, in a timely manner.

Records Destruction Policy

Once School records have reached the conclusion end of their retention period according to the Records Retention Policy, the Director of Operations will request authorization from the Principal for their destruction. If any litigation, claim, or audit is started before the expiration of the designated retention period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The School will arrange for the safe and secure destruction of confidential records.

FRAUD AND MISAPPROPRIATION

The School will not tolerate any fraud or suspected fraud involving employees, officers or trustees, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with the School.

The Principal and Board of Trustees are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to their injury.

Actions Constituting Fraud

The term fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to the School.
- Misappropriation of funds, supplies, equipment, or other assets of the School
- Impropriety in the handling or reporting of money or financial transactions.
- Disclosing confidential and proprietary information to outside parties
- Accepting or seeking anything of material value from contractors, vendors, or persons

- providing goods or services to the School
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment

Reporting and Confidentiality

The Board of Trustees will treat all information received confidentially and the reporting party may remain anonymous. Any fraud that is detected or suspected will be reported immediately to the Board of Trustees for further action. The outcome of an investigation will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Investigation Responsibilities

The Board of Trustees has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Board of Trustees may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Board of Trustees will take and document proper action.

WHISTLEBLOWER POLICY

The School is committed to operating in furtherance of its tax-exempt purposes and in compliance with all applicable laws, rules, and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its trustees, officers, and employees. This Policy applies to any matter related to the School's business and does not relate to private acts of an individual not connected to the business of the School. Further, this policy is intended to encourage and enable trustees, officers and employees to raise serious concerns within the School prior to seeking resolution outside the School.

Reporting Responsibility

It is the purpose of this policy to encourage trustees, officers or employees to report information that they reasonably and in good faith believe to be in violation of the Code of Ethics, the Policy on Conflict of Interests, applicable law or regulation, to a member of the Board of Trustees and Principal, in writing stating in detail the basis for belief of the violation or suspected violation.

No Retaliation

No individual who in good faith reports a violation or suspected violation shall suffer harassment, retaliation, or adverse employment consequence. An individual who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

Reporting Violations

Anyone filing a complaint concerning a violation or suspected violation 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 knowingly to be false will be viewed as a serious disciplinary offense.

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 Principal will notify the sender and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated, and appropriate corrective action will be taken if warranted by the investigation.

The Board of Trustees shall take prompt action to assist in properly investigating the report of the alleged violation.

A copy of the Whistleblower policy will be distributed to all Trustees, Officer and Employees.

CODE OF ETHICS

The Board of Trustees recognizes that sound, ethical standards of conduct increase the effectiveness of the School's governing body and staff as educational leaders in the community. Actions based on an ethical code of conduct promote public confidence in the School and the attainment of its goals. The Board also recognizes its obligation under the General Municipal Law to adopt a code of ethics consistent with the provisions of this law, setting forth the standards of conduct required of all Trustees, Officers and employees. Unless otherwise defined herein, terms have the meanings written in the By-laws of the School (the "By-laws").

Therefore, every Trustee, Officer, and employee of the School, whether paid or unpaid, shall adhere to the following code of conduct:

1. **Management of the School:** The Board of Trustees shall conduct or direct the affairs of the School and exercise its powers subject to the provisions of applicable law, as well as the requirements set forth in the School's charter and By-laws. The Board may delegate aspects of the management of school activities to others, so long as the affairs of the School are managed, and its powers are exercised, under the Board's ultimate jurisdiction.
2. **Gifts:** A Trustee, Officer, or employee shall not directly or indirectly solicit any gifts from the School; nor shall a Trustee, Officer or Employee accept or receive any single gift having a value of \$50 or more, whether in the form of money, services, loan, travel, entertainment, hospitality, or any other form. Gifts from children that are principally sentimental in nature and of insignificant financial value may be accepted in the spirit in which they are given.

3. **Gratuities and Kickbacks:** No employee (or anyone under their direct supervision) may solicit, demand, accept, or agree to a gratuity, kickback, or an offer of employment in connection with a business transaction. Such transactions include, but are not limited to, approvals on purchase requests, influencing the content of any procurement standard, auditing, or rendering of advice.
4. **Confidential Information:** A Trustee, Officer, or Employee shall not disclose confidential information acquired in the course of their official duties or use such information to further their own personal interest. In addition, they shall not disclose information regarding any matters discussed in an executive session of the Board meeting, whether such information is deemed confidential or not.
5. **Representation before the Board:** A Trustee, Officer, or Employee shall not receive or enter into any agreement, express or implied, for compensation for services to be rendered in relation to any matter before the Board of Trustees, whereby the compensation is to be dependent or contingent upon any action by the School with respect to such matter, provided that this paragraph shall not prohibit the fixing at any time of fees based upon the reasonable value of the services rendered.
6. **Participation in Board Discussions and Votes:** Every Trustee has the right to participate in the discussion and vote on all issues before the Board or any Board Committee, except that any Trustee shall recuse themselves from the discussion and/or vote on any matter involving such Trustee relating to: (a) a “self-dealing transaction” (see below) or (b) a potential Conflict of Interest (as defined in the Conflict of Interest Policy).
7. **Self-dealing Transactions:** Neither members of the Board nor the employees of the School shall engage in any “self-dealing transactions,” except as approved by the Board and in compliance with the Conflict-of-Interest Policy. “Self-dealing transaction” means a transaction to which the School is a party and in which one or more of the individual Trustees, officers, or employees has a financial interest.
8. **Disclosure of interest in matters before the Board:** Under no circumstance will an employee of the School initiate, participate, or benefit in any way from negotiating a contract or purchase of goods or services in which they, a relative, or an associate has financial interest. If an actual or potential conflict of interest is discovered, the employee must immediately withdraw from further participation in the involved transaction and report the transaction to the Board or Board Chairperson.
9. **Investments in Conflict with Official Duties:** A Trustee, officer, or employee shall not invest or hold any investment directly in any financial, business, commercial or other private transaction that creates a conflict with their official duties, except as approved by the Board and in compliance with the Conflict-of-Interest Policy.

10. Private employment: A Trustee, Officer, or employee shall not engage in, solicit, negotiate for, or promise to accept private employment when that employment or service creates a conflict with or impairs the proper discharge of their official duties.

Distribution of Code of Ethics

A copy of this Code of Ethics is to be distributed annually to every Trustee, Officer, and Employee of the School. Each Trustee, Officer, and Employee elected, appointed or hired thereafter shall be furnished a copy before entering upon the duties of their office or employment.

Reprimands and Penalties

In addition to any penalty contained in any other provision of law, any person who knowingly and intentionally violates any of the provisions of the Board’s Code of Ethics may be fined, suspended, or removed from office or employment, as the case may be, in the manner provided by law.

CONFLICT OF INTEREST

Interested Person

The General Municipal Law defines prohibited conflicts of interest for School Trustees, Officers and Employees.

Under the General Municipal Law, no school officer or employee may have an interest, direct or indirect, in any contract with the School, when such officer, trustee, or employee, individually or as a member of the Board, has the power or duty to (a) negotiate, prepare, authorize or approve the contract, or authorize or approve payment under the contract; (b) audit bills or claims under the contract; or (c) appoint an officer or employee who has any of the powers or duties set forth above.

Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- An ownership or investment interest, other than de minimis, in any entity with which the School has a transaction or arrangement,
- A compensation arrangement with the School or with any entity or individual with which the School has a transaction or arrangement, or
- A potential ownership or investment interest, other than de minimis, in, or compensation arrangement with, any entity or individual with which the School is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors having a value of \$50.00 or more whether in the form of money, service, loan, travel, entertainment, hospitality, thing or promise or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to or could reasonably be expected to influence the performance of a trustee, official or

employee in their official duties, or was intended as a reward for any official action.

Duty to Disclose

Any Trustee, Officer or Employee who has, will have, or later acquires an interest in any actual or proposed contract with the Board must publicly disclose the nature and extent of such interest in writing 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

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. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, they 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.

Notwithstanding anything herein, the following contracts are exempt from this policy, including but not limited to, employment contracts between the School and a board member or employee's spouse, minor children or dependents; a contract between the School and a corporation of which the board member or employee is neither a director nor owns more than five percent of outstanding stock; a contract between the School and a board member or employee entered into preceding the election of the board member but not the renewal/renegotiation of that contract; a contract between the School and a board member or employee in which the total paid does not exceed \$750.00 during the fiscal year when added to the aggregate amount of consideration payable under all contracts pertaining to that individual; a contract between the School and a company that employs a board member or employee where the individual's compensation is not directly affected as a result of the contract and the duties of the individual's employment do not directly involve the procurement, preparation or performance of such a contract; and purchases, in the aggregate amount of Five Thousand Dollars (\$5,000) or less in any single calendar year. No review or action by any governing board or committee shall be necessary if an exception applies.

Procedures for Addressing a Conflict of Interest

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

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.

After exercising due diligence, the governing board or committee shall determine whether the School 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.

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 the School'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

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

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

Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

- The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing Board's or committee's decision as to whether a conflict of interest in fact existed.
- The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Compensation

A voting member of the governing board who receives compensation, directly or indirectly, from the School for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the School for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the School,

either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Annual Statements

Each trustee, officer, and employee shall annually sign a statement which affirms such person:

- Has received a copy of the Code of Ethics and Policy on Conflicts of Interest,
- Has read and understands the Code of Ethics and Policy,
- Has agreed to comply with the Code of Ethics and Policy, and
- Understands the School is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure the School operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- Whether partnerships, joint ventures, and arrangements with management organizations conform to the School's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

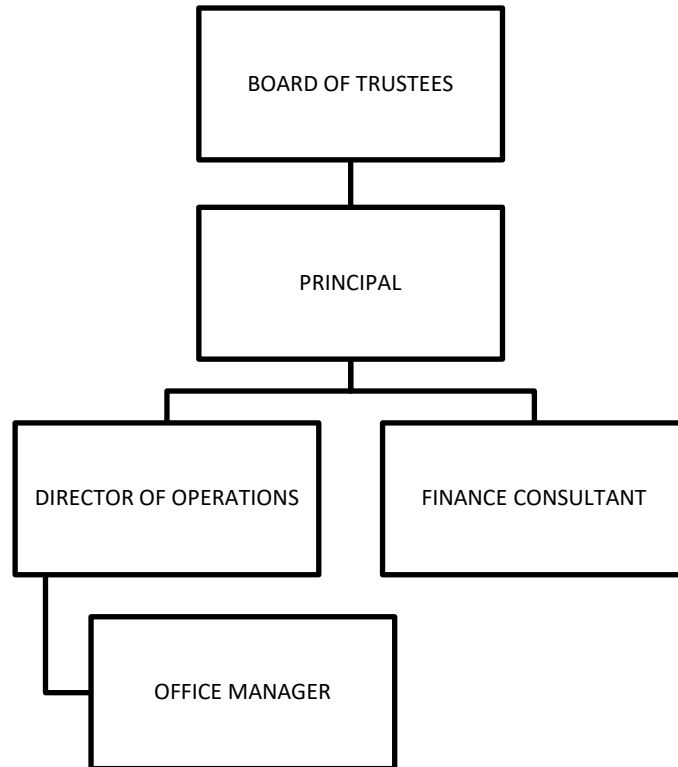
CONFIDENTIALITY

Confidential information includes all information gained during employment or service with the School that is not common knowledge including, but not limited to, student records, personnel records, financial or donation information (including donation lists, donor information, potential donors or business contacts.) All Trustees, Officers, and Employees must keep such information confidential.

Information about children, families, and employees should be used in a professional manner, only with those who have a business-related need-to-know and should never be used as a topic of casual conversation or gossip.

Before the end of a term of service or employment with the School, Trustees, Officers and Employees must return to the School all Confidential Information without retaining it in any form. All other documents, data, manuals, security keys, and other items which are the School's property, and which may be in the individual's possession or control should also be returned at this time. Any Confidential Information that cannot be returned must be destroyed.

Annex 1: Finance Team



Annex 2: Requirements for Record Retention

Accounting:	
Accounts payable (ledger, schedules and invoices from vendors)	7 years
Accounts receivable (ledger, schedules and invoices from vendors)	7 years
Audit Reports	Permanently
Chart of Accounts	Permanently
Depreciation schedules	Permanently
Expense records	7 years
Financial statements (annual)	Permanently
Fixed asset purchases	Permanently
General ledger	Permanently
Inventory records	7 years
Loan payment schedules	7 years
Purchase orders (1 copy)	7 years
Sales records	7 years
Tax returns	Permanently
Bank Records:	
Bank reconciliations	2 years
Bank statements & Cancelled checks	7 years
Electronic payment records	7 years
Corporate Records:	
Board minutes	Permanently
Bylaws	Permanently
Business licenses	Permanently
Contracts - major	Life + 4 years
Contracts - minor	Life + 3 years
Insurance policies	Permanently
Leases/mortgages	Permanently
Patents/trademarks	Permanently
Employee Records:	
Benefit plans	Permanently
Employee files (ex-employees)	7 years
Employment applications	3 years
Employment taxes	7 years
Payroll records, including payments to pensioners	7 years
Pension/profit sharing plans	Permanently
Time books	7 years
Real Property Records:	
Construction records and Leasehold improvements	Permanently
Lease payment records	Life + 4 years
Property appraisals by outside appraisers	Permanently
Real estate purchases	Permanently

Approval & Procedures Shortcuts

Accounts Receivable Aging

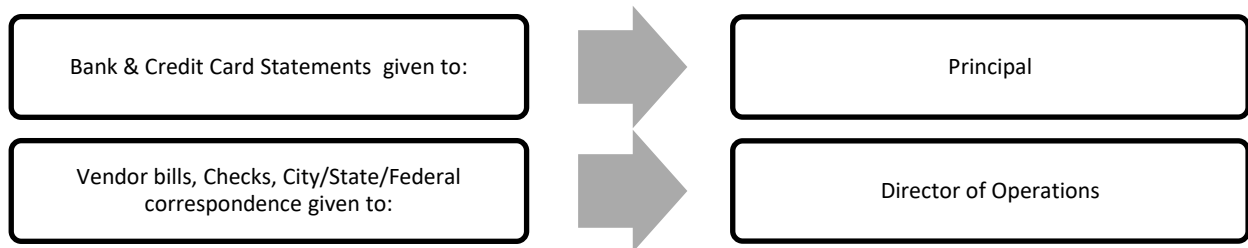
Accounts receivable that are deemed uncollectible will be written off once approved by the Principal and the Board Chair based on thresholds shown on the table below. If receivables go beyond a year, the amount recorded may be discounted to its present value.

Below \$20,000	Above \$20,000
•Principal approval	•Board Chair approval

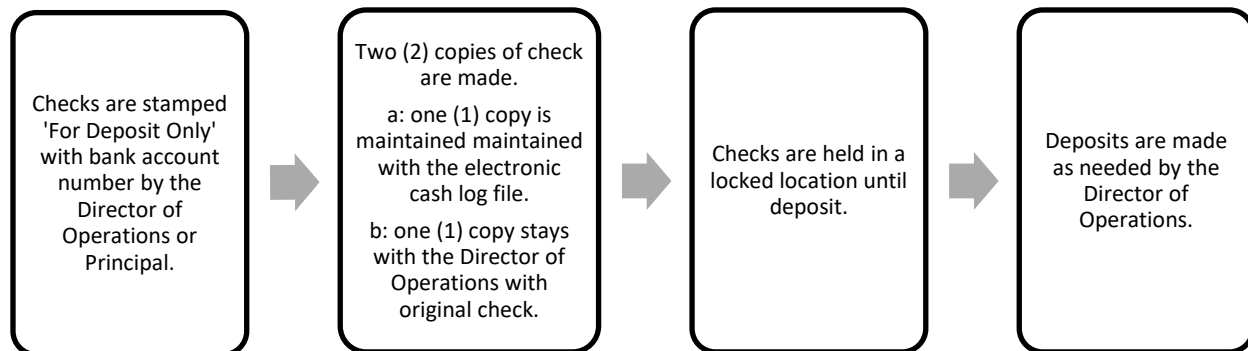
Federal Awards

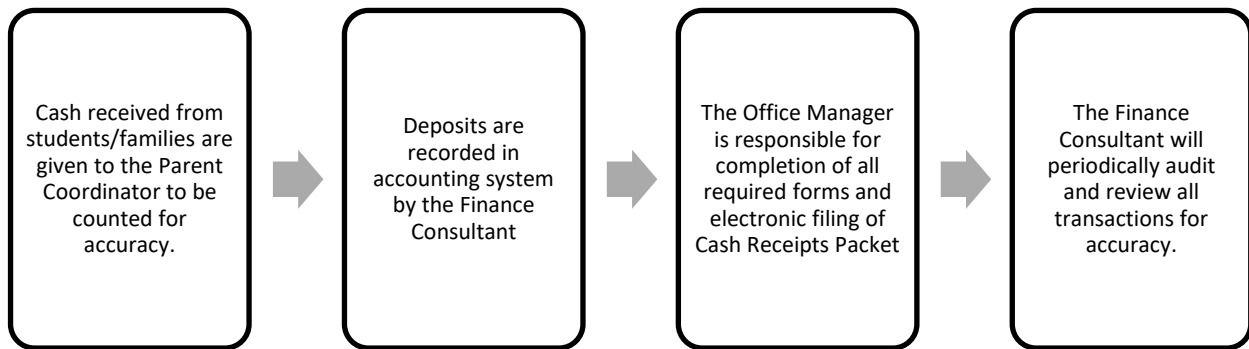
For funds received from the Federal Government such as Title Funding, the School is required to adhere to specific requirements. *Refer to FPP's Federal Awards section for additional information.*

Distribution of Mail



Receiving, Processing and Recording Cash Receipts





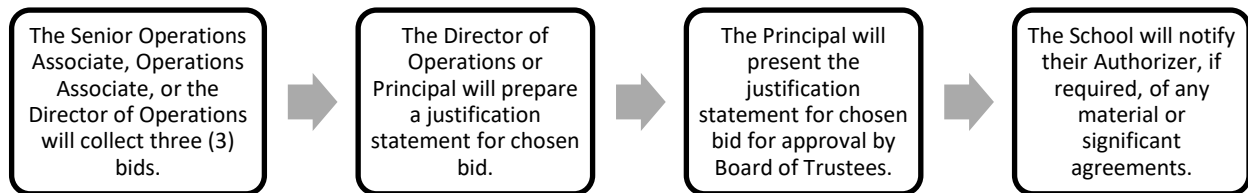
PURCHASES, ACCOUNTS PAYABLE, AND CASH DISBURSEMENTS

- The School will not contract with a vendor who has been suspended or debarred. www.sam.gov

Competitive Bids and Quotes

A bid is a formal request to a vendor for a price for goods and services customized to the School. A quote is a widely available price for goods and services not necessarily specific to the School, e.g. A listed price on website or other advertising.

Competitive Bidding Procedure



Approval

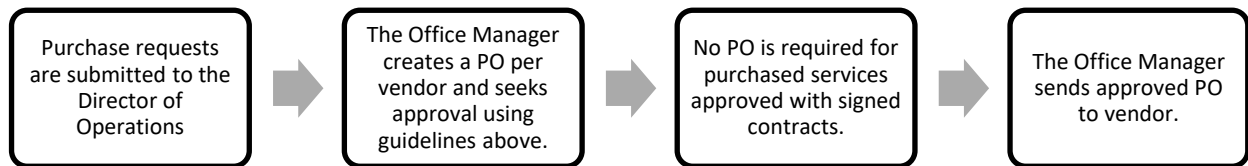
No staff member may approve their own purchase requests. Each purchase must be approved as follows:

Below \$20,000
•Principal approval

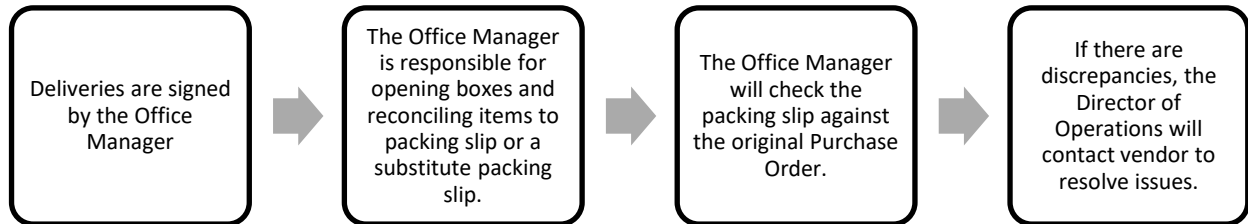
Above \$20,000
•Principal and Board Chair or Treasurer approval

For recurring charges (such as rent, benefits, utilities, etc.) over \$20,000, annual approval is acceptable.

Purchase Orders Process



Receipt of Goods



Processing Disbursements

Check Signing Authority

In no event shall an authorized signatory approve an invoice, execute a check, or authorize a disbursement of any kind, payable to her/him.

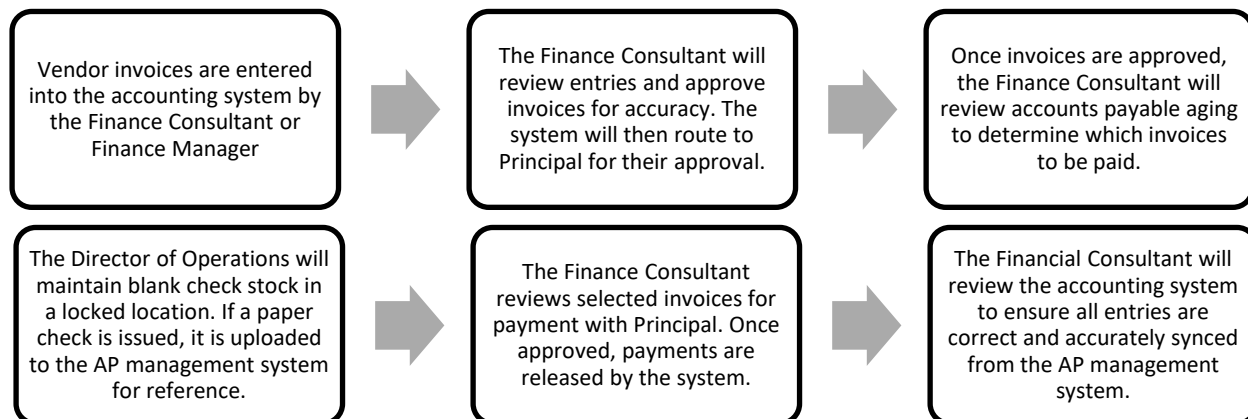
Below \$20,000
•Principal approval

Above \$20,000
•Principal and Board Chair or Treasurer approval

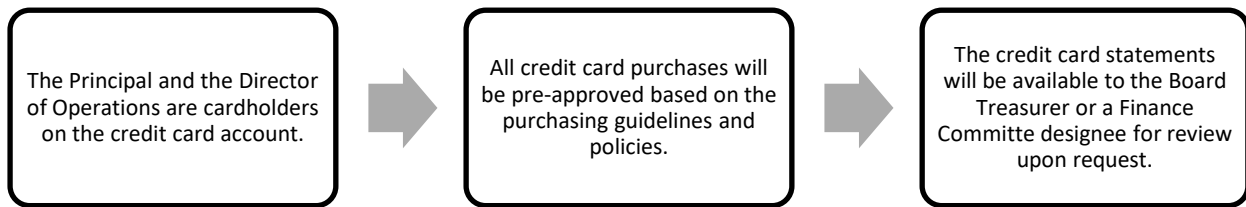
For recurring charges (such as rent, benefits, utilities, etc.) over \$20,000, single signature with annual approval is acceptable.

Disbursement Process – AP Management System

- Vendor invoices are sent to the cmccsbilling@bill.com



Credit Card Purchases

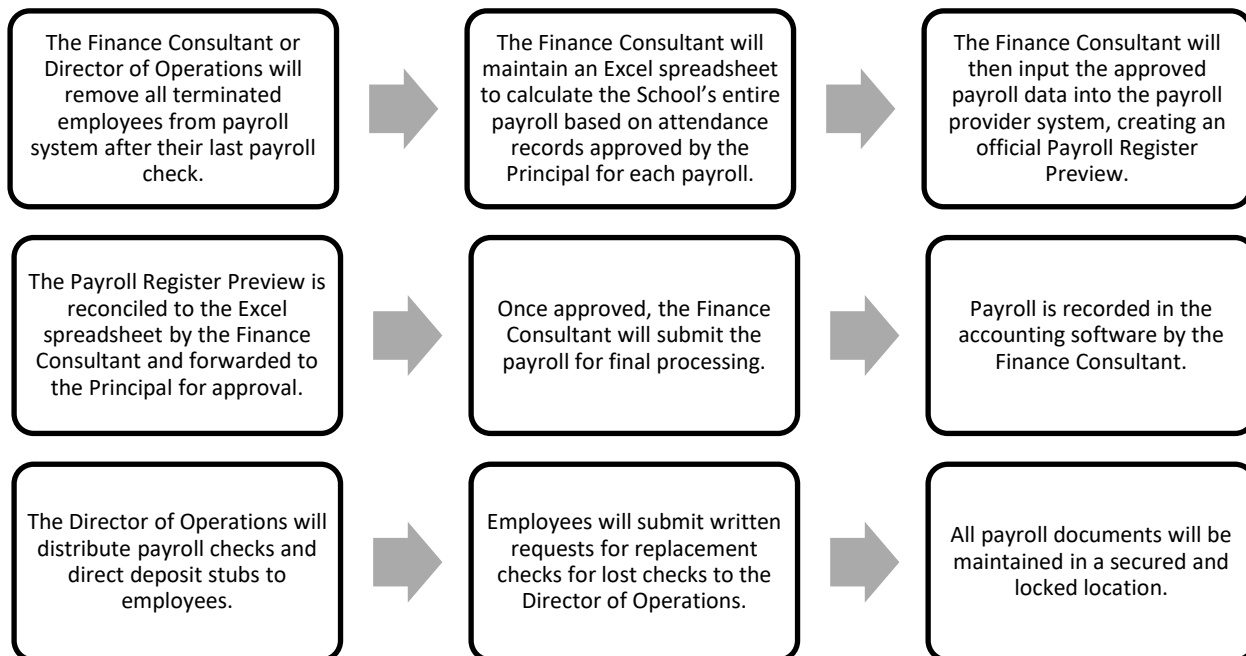


Obtaining Payroll Information

The Director of Operations is responsible for obtaining the following for every employee:

General	Payroll	Benefits/Releases	Compliance
<ul style="list-style-type: none"> • Hire letter (signed by both parties) • Job description • Resume • Emergency Contact Form • Resignation letter 	<ul style="list-style-type: none"> • I-9 (to be kept in separate file) • Federal Form W-4 • NYS IT-2104 • Direct Deposit • NYS Wage Theft Prevention Form 	<ul style="list-style-type: none"> • Health/Dental/Vision • Life/Disability • Retirement/Pension 	<ul style="list-style-type: none"> • Fingerprint Clearance • Certifications (if applicable)

Processing Payroll



Bank Accounts

The School has the following accounts:

- Checking Account (Operating Account)
- Divvy Credit Card Account

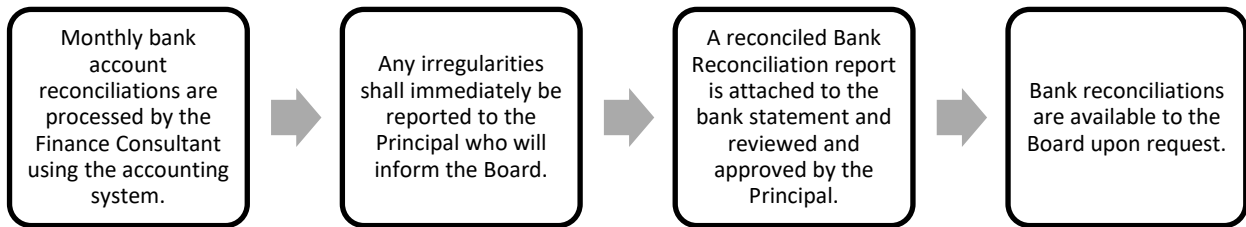
- Escrow Account*

In all instances, the School is utilizing its accounts in a way that safely maximizes its overall interest income. The School has the following authorized signatories on the accounts;

- Board Chair
- Principal

Board approval is required to open or close a bank account and will be recorded in the board meeting minutes.

Bank Reconciliation



Capitalization Policy

The School will capitalize items with an acquisition cost of \$5,000 or more **and** useful life greater than one year. Federal award purchases of \$5,000 or more per unit and useful life greater than one year will be capitalized. These items are also subject to the School’s depreciation policy, outlined below.

Depreciation Policy

Asset Category	Useful Life
Computers	3 years
Equipment	3 years
Furniture	7 years
Musical Instruments	5 years
Leasehold Improvements	Shorter of: 1) the useful life of the leasehold improvements, or 2) the remaining years of the lease