

## Financial Policies and Procedures

It is the intent of these Financial Policies and Procedures to implement both the letter and spirit of all applicable State and Federal regulations regarding the expenditure of and accounting for public funds. These Policies and Procedures will be in effect as of August 20, 2015 and may need to be modified as the School develops and regulations change. The Board of Directors (“Board”) should approve these financial policies, and revisit them periodically.

### A. PURCHASES

1. Authorization of Expenditures: All purchases of goods and services shall be consistent with the Board-approved budget. These purchases shall not require Board-approved/executed contracts, with the exception of expenditures in total annual amounts greater than \$10,001. All other proposed expenditures must be reviewed by the Head of School who will review the proposed expenditure to determine whether it is consistent with the Board adopted budget. The Board Chair or Treasurer will approve the check request and purchase order forms (if applicable).
2. Budgeted expenses over \$20,000 can be approved in advance of consent agenda review at monthly Board meetings.
3. All new proposed and unbudgeted expenditures over \$20,000 require Board review and approval.
4. Budgeted expenses for Paychex, OUSD and EdTec do not require additional oversight during monthly Board meetings.

### B. CONTRACTS

1. All professional consulting services shall be provided for under a contract.
2. Contracts for other goods and services exceeding \$25,000 on an annual basis shall be presented to the Board for approval prior to signing. Length of contracts shall be at the discretion of the Board. In general, contracts exceeding \$50,000 shall be let after a bidding process of sufficient duration to ensure competition. However, the Head of School may make a finding to the Board for sole sourcing a contract exceeding \$10,000; in this case, the Board may approve the contract in arrears at the time of contract execution. (The basis for such a finding may include: time/urgency issues; the absence of competitors; high service/quality from a particular contractor).
3. Bid tabulations shall be presented to the Board along with a recommendation for action. The Board reserves the right to select

whichever vendor it deems most prepared to provide the required goods/ services without regard to the low bidder being the automatic selection.

C. Commitments and Purchase Orders

1. Purchase orders under \$10,001 must be approved by a Director of the corporation.
2. Purchase orders of \$10,001 or more must be approved by the Board Chair or Board Treasurer
3. Budgeted expenses over \$20,000 can be approved in advance of consent agenda review at monthly Board meetings.
4. All new proposed and unbudgeted expenditures over \$20,000 require Board review and approval.

D. Invoices

1. Invoices under \$10,001 must be approved by a Director of the corporation
2. Invoices for \$10,001 or more must be approved by the Board Chair or Board Treasurer

E. Accounts Payable: The school shall abide by EdTec accounts payable policies and procedures set forth separately.

F. Credit and Debit Card Usage: Unless otherwise specified by the Board of Directors and/or school management, the use of school credit and debit cards shall be limited to the Director of the corporation and Board Chair. Expenditure limits follow the rules in this document. It is the responsibility of the cardholder to submit supporting documentation (receipts) with payment approval.

G. Other Electronic Payments: Other electronic methods (wire, ACH, transfer between bank accounts, etc.) shall not be permitted for payment of any expenses or reimbursements without the express written consent of the Board Chair or Board Treasurer.

H. Employee Reimbursements: Reimbursements for business expenses must be pre-approved and are at the discretion of the Head of School. Under no circumstances shall alcohol be reimbursed. The Head of School must obtain a Board member's authorization on reimbursement requests payable to the Head of School."

#### I. Petty Cash – Purpose and Usage

1. The purpose of the Petty Cash Checking Account is for payment of incidental expenses when there is insufficient time for processing through the General Checking Account. Examples of proper expenses include, but are not limited to, food/meals for teachers doing curriculum work and emergency plumbing repairs. Petty cash shall not be used for teacher reimbursements, employee expense reimbursements or independent contractor payments.

2. The Head of School, Director of Operations, Director of Instruction and the Office Manager shall have access to petty cash not to exceed \$100. Such funds shall be used at the discretion of the Head of School, subject to Board oversight and consistent with the approved budget and School rules and regulations. Authorized employees must obtain each other's authorization on petty cash checks made payable to their names. Use of petty cash shall require original receipts for all purchases.

J. Personal Use of School Funds: Use of School funds for personal use is prohibited. Violation of this policy shall result in discipline up to and including dismissal or removal, including from the Board.

#### K. BANKING

##### 1. General Checking Account

a) The Board shall authorize the establishment of commercial bank accounts for the purposes of School operations. Funds will be deposited in non-speculative accounts including federally-insured savings and/or checking accounts and/or invested in non-speculative federally-backed instruments and/or standard money market accounts.

b) The General Checking Account shall be the primary account for School needs. Authorized signatories to this account shall be the Board Chair and Board Treasurer.

c) The General Checking Account shall be reconciled monthly by a school staff member or outsourced accountant that does not have the ability to approve expenses or disperse funds from the account. The monthly Bank Reconciliations shall be reviewed and approved by the Board or a representative of the Board that does not have access to the account.

## 2. Petty Cash Checking Account – Account Setup and Maintenance

- a) The Petty Cash Checking Account shall have a maximum balance of \$1,000. The Account shall be funded from the School's business General Checking Account as necessary. A simple ledger shall be maintained by the Office Manager reconciled monthly by a staff member or accountant that does not have transactional access to the account. The petty cash bank reconciliations shall be reviewed by a representative of the Board. Replenishment of the Petty Cash Checking Account shall occur through the normal accounts payable process (see EdTec accounts payable policies and procedures set forth separately).
- b) No deposits other than replenishments as stated above shall be made into the Petty Cash Checking Account. All cash and checks shall be deposited into the General Checking Account.
- c) Check writing requires signatures from the Head of School or **Director of Operations**.
- d) Deposits of Receipts – The School will deposit all funds received as soon as practical upon receipt. The Office Manager will open all mail on a daily basis, immediately sort all checks and forward them to the Director of Operations. The Director of Operations will immediately endorse the checks to the appropriate school account and prepare appropriate deposits as soon as practical, ideally the same day and in no case later than three working days.

## L. TRAVEL POLICIES

### 1. Employee Mileage Reimbursement

- a) 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 pre-approved by their supervisor. In addition, parking fees and tolls paid are reimbursable if supported by receipts.
- b) All employees requesting such mileage reimbursement are required to furnish an Expense Report containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date, supported by receipts, if applicable.

## M. OTHER PRACTICES

1. Budget Adoption: A budget shall be adopted by the Board no later than June 30 prior to the start of each new fiscal year, or earlier if required by the authorizing entity. During the course of the year, the Board may adopt an amended budget as expenses and revenue projections change.

#### N. Audit

1. An annual audit by an outside firm shall be performed each year on the close of the prior year's books. The audit shall be performed in advance of the December 15 statutory audit deadline. The audit shall include, but not be limited to, (1) an audit of the accuracy of the School's financial statements, (2) an audit of the School's attendance accounting and revenue claims practices, and (3) an audit of the School's internal controls practices.
2. If the School receives over \$500,000 from federal sources, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars.
3. The audit firm shall be on the State approved list of School auditors.
4. At the conclusion of the audit, EdTec will review the audit with the Board and propose any changes necessary in operating procedures to comply with audit findings.
5. Form 990 Federal Tax Return: The selected audit firm will prepare the Form 990 tax return and send a copy to the school staff responsible for the audit. The school staff will review and send a copy to the Board of Directors for its review and approval before filing. Once approved by the Board, the school will notify the audit firm who will then prepare the final return for filing.

O. Board Meetings: The Board shall review financial statements at periodic Board meetings. The Board shall also review and approve the monthly check registers and bank reconciliations from the General Checking Account and the Petty Cash Account.

P. Conflict of Interest: Any Board member with a financial interest in a matter presented to the Board shall fully disclose such interest prior to Board discussion on the issue and shall recuse themselves from the discussion and voting on the matter. The Board shall develop a separate more comprehensive policy on conflict of interest, hiring of relatives, and compliance with Government Code 1090 and the Fair Political Practices Act.

#### Q. Payroll

1. New Employees: Requests for new employees shall be initiated by the Head of School and be consistent with the approved annual personnel budget. New employees shall complete an Application for Employment and all necessary paperwork for payroll. New employees shall be fingerprinted and TB tested consistent with State law. Fingerprint clearance must be received by the School before any employee may start work.
2. Employees shall accrue sick leave time based on the personnel policy of the School.
3. Timekeeping (for hourly staff)
  - a) The Head of School or Director/Principal shall develop procedures to ensure accurate and timely preparation of timesheets for hourly employees.
  - b) Authorized timesheets shall be forwarded to EdTec according to EdTec policies and procedures set forth separately. Payroll processing and payment shall take place according to EdTec policies and procedures set forth separately.
4. Independent Contractors: The School shall only engage independent contractors if all of the following practices are followed:
  - a) The expense is within the approved budget or separately approved by the Board;
  - b) The contractor provides proof of adequate insurance and IRS form W-9;
  - c) IRS rules are followed regarding classification of staff as contractors versus employees; and
  - d) The work is done under contract.

R. Capitalization and Depreciation:

1. The School will capitalize and depreciate all assets costing \$5,000 or more. All other assets are charged to expense in the year incurred.
2. Capitalized assets are recorded at cost and depreciated under the straight-line method over their estimated useful lives which can range from:
  - a) Leasehold Improvement – Lease term or 5 years, whichever is shorter
  - b) Equipment – 3 years
  - c) Furniture – 5 years
3. Repair and maintenance costs, which do not extend the useful lives of the assets, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the asset accounts, and any resulting gain or loss is included in the earnings in the year.

S. Disposal of Surplus Property and Donations:

1. Surplus property shall mean property that is no longer in use, is damaged beyond repair, or that the School feels will have no future value to the School's program, and that is declared to be surplus property by the Board. If the School wishes to dispose of equipment or other surplus property, the Board shall declare the property surplus and shall direct the staff on the actual means of disposal of the property, such as sale, donation, or destruction and disposal.

2. If the School wishes to sell equipment or other surplus property, the Board shall direct the staff by giving specific guidance regarding the manner in which such property is to be sold.

3. If the School wishes to donate equipment or other surplus property, the Board shall declare the property surplus and authorize the donation. Requirements for potential donee organizations shall include: (1) the donee organization is fully independent of the School, with none of the School's Board members or key personnel involved in the donee organization; and (2) the donee organization shall be a non-profit or governmental entity related to education. In addition, the School shall secure a receipt from the donee organization for the donated property, and shall remove the asset from the School's books and record the donation as required by state and federal audit guidelines.

T. Property Acquired with Federal Grant Funds

1. If the property in question cost \$5,000 or more at the time of acquisition and was acquired with federal grant funds, the School shall notify the federal contract administrator prior to donating or disposing of such property as provided above.