MAGNOLIA
PUBLIC SCHOOLS

Board Agenda Item #	II D
Date:	August 11, 2016
To:	Magnolia Board of Directors
From:	Caprice Young, Ed.D., CEO & Superintendent
Staff Lead:	Oswaldo Diaz, Chief Financial Officer
RE:	Revised MPS Financial Policy & Procedures Manual

Proposed Board Recommendation

I move that the Board approves the adoption of the updated MPS Financial Policy and Procedures Manual as presented in the board agenda, item II D.

Staff is not recommending any changes to the attached document because they currently include appropriate policies and procedures, most of which you previously have voted to update with the guidance of the State Auditor, FCMAT and other authorities. Your ratification is purely procedural.

Background

MPS is in the process of renewing charter petitions of MSA-1, MSA-2 and MSA-3. We are requesting that the Board approve the adoption of the updated MPS Financial Policy and Procedures Manual in order to be in compliance with the following LAUSD requirement:

> *Governing Board approval of the current fiscal policies and procedures must occur in the school year in which the school's current charter expires [i.e., the renewal year] or in the last quarter of the prior year.*

The adoption of the updated MPS Financial Policy and Procedures Manual will be effective and applicable for FY 2016-17.

Revised Policies

The following is a list of the policies and the date they were last revised:

POLICY	Last Revision
GENERAL & ADMINISTRATIVE	
G&A101 Chart of Accounts	2/14/13
G&A102 Files and Records Management	2/14/13
G&A103 Travel and Entertainment	11/12/15
G&A104 Management Reports	11/12/15
G&A105 Period-End Review & Closing	11/12/15

G&A106 Controlling Legal Costs	2/14/13
G&A107 Taxes and Insurance	11/12/15
G&A108 Property Tax Assessments	2/14/13
G&A109 Confidential Information Release	2/14/13
G&A110 Document Control	2/14/13
G&A111 Fax and E-mail Signatures Accepted	2/14/13
G&A112 Maintenance Requests	2/14/13
G&A113 Electronic Backup of Accounting Information	2/14/13
G&A114 Political Intervention	2/14/13
G&A115 Accrued Liabilities	11/12/15
G&A116 Notes Payable	11/12/15
G&A117 Financial and Tax Reporting	11/12/15
G&A118 Budgeting	11/12/15
G&A119 Insurance	2/14/13
G&A120 Supplies	2/14/13
G&A121 School Site Accounting	11/12/15
G&A122 Fraud Reporting & Whistleblower	2/14/13
CASH	
CSH101 Cash Boxes	11/12/15
CSH102 Cash Receipts And Deposits	2/14/13
CSH103 Problem Checks	11/12/15
CSH104 Wire Transfers	2/14/13
CSH105 Check Signing Authority	2/14/13
CSH106 Check Matters	2/14/13
CSH107 Bank Account Reconciliations	2/14/13
CSH108 Inter-Account Bank Transfers	11/12/15
CSH109 Journal Entries and Reclassification Entries	11/12/15
CSH110 Petty Cash Purchases	11/12/15
CSH111 Credit Cards and Debit Cards	7/8/16
CSH112 Intercompany Receivables and Payables (Due To/From)	11/12/15
CSH113 Financial Reserves	11/12/15
FIXED ASSETS	
INV101 Fixed Asset Control and Leases	2/14/13
INV102 Fixed Asset Capitalization & Depreciation	11/12/15
REVENUE	
REV101 Sales Receipt Processing	11/12/15
REV102 Invoicing And Accounts Receivable	11/12/15
REV103 Progress Billing	11/12/15
REV104 Account Collections	2/14/13

REV105 Revenue Recognition – Grants and Contributions	11/12/15
REV106 Gifts-In-Kind	11/12/15
REV107 Restricted Funds	11/12/15
PURCHASING	
PUR101 Vendor Selection	2/20/16
PUR102 General Purchasing	11/12/15
PUR103 Receiving And Inspection	11/12/15
PUR104 Accounts Payable And Cash Disbursements	6/6/16
PUR105 Prepaid Expenses	11/12/15
PUR106 Reimbursements	11/12/15
PUR107 Bidding Requirements	6/6/16

Budget Implications

There are no budget implications.

Name of Staff Originator:

Oswaldo Diaz, Chief Financial Officer

Attachments

Revised MPS Financial Policy and Procedures Manual

MAGNOLIA

PUBLIC SCHOOLS

FINANCIAL POLICIES AND PROCEDURES MANUAL

Revised August 1, 2016

List of Referenced Procedures

General & Administrative

1. G&A101 Chart Of Accounts
2. G&A102 Files And Records Management
3. G&A103 Travel And Entertainment
4. G&A104 Management Reports
5. G&A105 Period-End Review & Closing
6. G&A106 Controlling Legal Costs
7. G&A107 Taxes And Insurance
8. G&A108 Property Tax Assessments
9. G&A109 Confidential Information Release
10. G&A110 Document Control
11. G&A111 Fax and E-mail Signatures Accepted
12. G&A112 Maintenance Requests
13. G&A113 Electronic Backup of Accounting Information
14. G&A114 Political Intervention
15. G&A115 Accrued Liabilities
16. G&A116 Notes Payable
17. G&A117 Financial and Tax Reporting
18. G&A118 Budgeting
19. G&A119 Insurance
20. G&A120 Supplies
21. G&A121 School Site Accounting
22. G&A122 Fraud Reporting & Whistleblower

Cash

23. CSH101 Cash Boxes
24. CSH102 Cash Receipts And Deposits
25. CSH103 Problem Checks
26. CSH104 Wire Transfers
27. CSH105 Check Signing Authority
28. CSH106 Check Matters
29. CSH107 Bank Account Reconciliations
30. CSH108 Inter-Account Bank Transfers
31. CSH109 Journal Entries and Reclassification Entries
32. CSH110 Petty Cash Purchases
33. CSH111 Credit Cards and Debit Cards
34. CSH112 Intercompany Receivables and Payables (Due To/Due From)
35. CSH113 Financial Reserves

Fixed Assets

36. INV101 Fixed Asset Control and Leases
37. INV102 Fixed Asset Capitalization & Depreciation

SOP # G&A101 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: G&A101 CHART OF ACCOUNTS

Policy: To facilitate the record keeping process for accounting, all ledger accounts should be assigned a descriptive account title and account number.

Purpose: To provide the method for assignment and maintenance of the company's chart of accounts in order to produce meaningful financial data for the Organization.

Scope: This procedure applies to all general ledger accounts.

Responsibilities: The Chief Financial Officer is responsible for monitoring and approving changes to the company's Chart of Accounts.

Definition: Chart of Accounts – A categorized listing of all account titles and numbers being used by an organization to track income, expenses, assets, equity, and liabilities is called a Chart of Accounts.

Procedure:

1.0 DESIGN OF ACCOUNTS

1.1 Accounts should have titles and numbers that indicate specific ledger accounts such as Cash in Checking, Furniture and Fixtures, Accounts Payable, etc.

1.2 In general, the Standardized Account Code Structure (SACS) is followed for the major object code levels and account description; however we do not implement goals and resource coding.

1.3 Sub-divisions should be used to provide additional clarification, as needed. A sub-division among the balance sheet accounts should be designated short term to long term, (i.e. current assets should precede long term assets and current debt should precede long-term debt).

Unassigned number sequences should be left open within each group of accounts to provide for additional accounts, which may be added later.

1.4 Accounts may be numbered using the SACS format.

1.5 See Appendix A for guidance regarding SACS format.

2.0 DESCRIPTION OF ACCOUNTS

2.1 Each account should be given a short title description that is brief but will allow the reader to quickly ascertain the purpose of the account.

2.2 For training and consistent transaction coding, as well as to help other non-accounting managers understand why something is recorded as it is, each account should be defined. Definitions should be concise and meaningful. The account name should clearly identify what the account is to be used for.

An example of definitions follows:

ASSETS

1100 – General Operating Account

Includes all cash held in the operating bank account. All withdrawals by check and deposits are recorded here. The reported balances are supported by a bank reconciliation prepared monthly.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

APPENDIX A

A copy of the California School Accounting Manual (CSAM) can be found at http://www.cde.ca.gov/fg/ac/sa/ for guidance regarding SACS format.

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SOP # G&A102 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: G&A102 FILES AND RECORDS MANAGEMENT

Policy: The Organization will retain records in an orderly fashion for time periods that comply with legal and governmental requirements and as needed for general business requirements.

Purpose: To outline the methods for filing, retaining and disposing of business records.

Scope: This procedure applies to all business documentation generated by the Organization. However, this does not necessarily cover internal or certain day-to-day business correspondence.

Responsibilities:

The Finance Manager will be responsible for categorizing and maintaining a listing of records maintained and the location (i.e. by wall unit and shelf row number).

The Chief Financial Officer is responsible for overseeing the execution of Organization policy for Record Retention, Storage and Destruction of obsolete Organization records.

Procedure:

1.0 FILING SYSTEM

1.1 To ensure efficient access, filing centers will be established in each department. To reduce the amount of duplicate and unnecessary record retention, individual desk files should be avoided unless they are used in daily operations. All other departmental or Organization records should be filed in the departmental central filing areas.

1.2 Unless necessary, records should usually only be kept by the originator or sender and not by the receiver to avoid duplicate filing systems.

1.3 The following filing guidelines should be adhered to optimize filing efficiency and records access:

- All file cabinets and files should follow recognized rules of order, such as Left to Right, Top to Bottom, Front to Back and in the case of chronological records, newest to oldest.
- File markers or label headings should always be placed at the beginning or front of a file or group of files.
- Alphabetical files should always be filed under broad topical categories. Files should never be filed under individual employee names (except Human Resources records) to avoid confusion and re-filing in the event of turnover.

Files should always be filed under the "proper" or Organization names whenever appropriate. In the case of individuals, files should be maintained according to the persons "Last name" then First name and Middle initial.

- Extra care should be used for sensitive or private information. Organization financial data or personnel records that contain performance reviews, salary information, and any health related information should be kept in a secure area with limited access to only those that have a “need to know” such as the Office Manager or the Chief Financial Officer.

2.0 RECORD RETENTION AND LONG-TERM STORAGE

2.1 Storage of archived records will be maintained in the locked storage area of the building. Access to this area will be limited to the Chief Financial Officer, officers of the Organization and the Office Manager.

2.2 Non-permanent files will be stored in cardboard file boxes. Each file box will be labeled on the front with the contents, dates covered, and destruction date if applicable. Permanent records will be maintained in metal fire-resistant file cabinets.

2.3 Files should be stored only in boxes with similar items, dates and retention periods. This will allow easier access and purging of records. A general rule to keep in mind is that it is better to only half-fill a file box than to file dissimilar types of files in the same box.

2.4 The Office Manager will be responsible for categorizing and maintaining a listing of records maintained and the location (i.e. by wall unit and shelf row number).

2.5 Maintain all files for as long as is necessary but only to the extent they serve a useful purpose or satisfy business or legal requirements. G&A102 Ex1 RECORDS RETENTION PERIODS, provides a guide to the typical business life of various documents. The retention periods provided are suggested with federal requirements in mind. Be sure to check with local and state authorities for specific record retention requirements.

2.6 Copies of critical records that are vital to the daily operations of the Organization should be kept off site in case of possible disasters. This may include information needed to file insurance claims (assets lists, insurance contacts, policy numbers), financial data for tax purposes (wages paid, income and expenses), contacts lists to inform or restart the business (vendors, customers, investors and employees), and other data that would assist in rebuilding the business (business plans, intellectual property, or proprietary information).

3.0 RECORD DESTRUCTION

3.1 Three to six months after each year-end, the Office Manager will proceed with destruction of all files that have exceeded their recognized holding period.

3.2 A listing of file categories to be destroyed will be circulated to all managers thirty days prior to destruction for review and comment. The actual listing of records destroyed will be maintained permanently for future reference.

3.3 Destruction of the files will be performed by an independent, outside service for shredding and disposal. Disposal of records into the Organization's general trash service is not allowed.

References:

A. HEALTH INSURANCE PORTABILITY ACCOUNTABILITY ACT (HIPAA)

The Standards for Privacy of Individually Identifiable Health Information (the Privacy Rule) creates national standards to protect individuals' personal health information and gives patients increased access to their medical records. As required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the Privacy Rule covers health plans, health care clearinghouses, and those health care providers who conduct certain financial and administrative transactions electronically. Most covered entities (certain health care providers, health plans, and health care clearinghouses) must comply with the Privacy Rule by April 14, 2003. Small health plans have until April 14, 2004 to comply with the Rule.

Note: Employment records maintained by a covered entity in its capacity as an employer are excluded from the definition of protected health information. The modifications do not change the fact that individually identifiable health information created, received, or maintained by a covered entity in its health care capacity is protected health information.

B. AGE DISCRIMINATION IN EMPLOYMENT ACT (ADEA)

ADEA applies to employers with 20 or more employees. If an EEOC charge or lawsuit is filed, keep records until final disposition of the charge or lawsuit. Otherwise, ADEA compliance suggests keeping basic employee files from one to three years as listed:

- Payrolls or other records (for temporary and permanent positions) for three years.
- Basic employee information such as employees' names, addresses, birth dates, occupations, rates of pay, and weekly compensation for three years.
- Applications and personnel records relating to promotion, demotion, transfer, selection for training, layoff, recall or discharge for one year.
- Job advertisements and postings for three years.
- Copies of employee benefit plans, seniority and merit systems must keep on file for the full period the plan or system is in effect and for at least one year after its termination

C. AMERICANS WITH DISABILITIES ACT (ADA)

ADA applies to employers with 15 or more employees. If an EEOC charge or lawsuit is filed, keep records until final disposition of the charge or lawsuit. Otherwise, ADA compliance suggests keeping employment applications and other personnel records including promotions, transfers, demotions, layoffs, and termination or requests for reasonable accommodation for at least 1 year from the making of the record or the personnel action.

D. CIVIL RIGHTS ACT OF 1964

Applies to employers with 15 or more employees. If an EEOC charge or lawsuit is filed, keep records until final disposition of the charge or lawsuit. Otherwise, basic non-discrimination compliance suggests keeping employment applications and other personnel records including promotions, transfers, demotions, layoffs, and termination or any EEO-1 Reports for at least one year from the making of the record or the personnel action. If an employee is involuntarily terminated, his/her personnel records must be retained for one year from the date of termination.

E. EMPLOYEE RETIREMENT INCOME SECURITY ACT (ERISA)

The ERISA reporting and disclosure obligations apply to all pension and welfare plans including summary plan descriptions, annual reports, reportable events, and plan termination, unless the Organization plan is exempt under ERISA.

ERISA suggests the Organization should maintain all reports, documents, information, and materials for a minimum of six years in order to disclose and or support all transactions to participants and beneficiaries (and report to certain governmental agencies), as requested or needed.

F. EMPLOYEE POLYGRAPH PROTECTION ACT

All polygraph test results and reasons for administering the test should be kept for three years.

G. EQUAL PAY ACT

Payroll records including time cards, wage rates, deductions from wages, and records explaining the difference in wage rates between men and women in similar positions should be kept for three years.

H. EXECUTIVE ORDER 11246

Applies to federal contractors and requires the preparation of affirmative action plans. Affirmative action plans must be updated annually and retained for two years along with all applications and other personnel records that form the basis of the Organization's employment decisions. Generally, personnel and employment records must be retained for two years.

I. FAIR LABOR STANDARDS ACT (FLSA)

FLSA applies to employers engaged in or employees who work in interstate commerce and suggests the following records are retained for three years:

- Payroll and other records containing employee's name, birth date, gender, and occupation.
- Employee's beginning of workweek and time employee begins work.
- Regular rate of pay or other basis of payment.
- Hours worked per day and for workweek.
- Daily and weekly straight time earnings.
- Deduction from wages.
- Total wages per pay period.
- Date of payment and the pay period covered.
- For exempt professional, executive and administrative employees, and those employed in outside sales, the employer must maintain records that reflect basis on which wages are paid to permit calculations of the employee's total remuneration.
- In addition, employers must keep for at least two years all records (including wage rates, job evaluations, seniority and merit systems, and collective bargaining agreements) that explain the basis for paying different wages to employees of opposite sexes in the same establishment.

J. FAMILY AND MEDICAL LEAVE ACT (FMLA)

FMLA applies to employers with 50 or more employees within a 75 mile radius and whose employee must have worked for at least one year and accumulated at least 1,250 hours of service with the employer during the previous year. FNLA suggests the following records are retained for 3 years

- Basic employee data including name, address, occupation, rate of pay, terms of compensation, daily and weekly hours worked per pay period, deductions from wages, and total compensation.
- Dates of leave taken by eligible employees.
- For intermittent leave, the hours of leave.
- A copy of employee notices and documents describing policies and practices regarding leave.
- Records of any dispute regarding the designation of leave.

K. IMMIGRATION REFORM & CONTROL ACT (IRCA)

IRCA applies to all employers and requires a signed Form I-9 is retained for three years after the date of hire and at least one year after termination.

L. OCCUPATIONAL SAFETY & HEALTH ACT (OSHA)

OSHA applies to employers with 10 or more employees and suggest that the log of occupational injuries and illnesses is retained for five years. All other records should be retained for at least 30 years after employee separation. Other records include:

- Occupational injuries and illnesses.
- The annual summary of injuries and illnesses.
- Medical records and records of exposure to toxic substances.

M. REHABILITATION ACT OF 1973

Applies to federal contractors. If a charge or lawsuit is filed, keep records until final disposition of the charge or lawsuit. Otherwise, basic compliance suggests keeping personnel and employment records including requests for accommodation, physical exams, job advertisements and postings, applications, resumes and records regarding hiring, assignments, promotions, demotions, transfers, layoffs, terminations, rates of pay and selection for training for two years (only 1 year if contractor has less than 150 employees or a federal contract of $150,000 or less). Note: Affirmative action plans also may have to be maintained by the employer

N. RIGHT TO FINANCIAL PRIVACY ACT

The act establishes specific procedures and exceptions concerning the release of customer financial records to the federal government. It provides customers of financial institutions with a right to expect that their financial activities will have a reasonable amount of privacy from federal government scrutiny.

O. GUIDE TO RECORD RETENTION REQUIREMENTS

A good source of federal retention requirements is the "Guide to Record Retention Requirements" published by the Office of the Federal Register National Archives and Records Administration. It can be purchased from the U.S. Government Printing Office in Washington DC. Additional sources of information include: IRS regulations, state and local government retention requirements or the AICPA (American Institute of Certified Public Accountants) Filing and Record Retention Procedures Guide.

P. IRS REVENUE PROCEDURE 98-25 RECORDS RETENTION

The Income Tax Regulations require that, except for farmers and wage-earners, any person subject to income tax, or any person required to file an information return with respect to income, must keep such books and records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters reported. The books or records required by must be kept available at all times for inspection by authorized internal revenue officers or employees, and must be retained so long as the contents thereof may become material in the administration of any internal revenue law.

Note: Section 6.01 requires taxpayers to maintain and make available documentation of the business processes that (1) create the retained records, (2) modify and maintain its records, (3) satisfy the requirements of section 5.01(2) of the procedure and verify the correctness of the taxpayer's return, and (4) evidence the authenticity and integrity of the taxpayer's records.

Section 6.02 sets forth four elements that the documentation required under section 6.01 must establish: (1) the flow of data through the system, (2) internal controls that ensure accurate processing, (3) internal controls that prevent unauthorized record changes, and (4) charts of account.

Section 6.03 sets forth six specific types of documentation for each retained file: (1) record formats, (2) field definitions, (3) file descriptions, (4) evidence that periodic checks are undertaken to ensure that data remains accessible, (5) evidence that the records reconcile to the taxpayer's books, and (6) evidence that the records reconcile to the taxpayer's return.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

G&A102 Ex1 RECORDS RETENTION PERIODS

Accident reports and claims (settled cases) ....7 years
Accounts payable ledgers, schedules and trial balances ....7 years
Accounts receivable ledgers, schedules and trial balances ....7 years
Assignments...3 years
Audit reports of accountants .... Permanently
Bank reconciliations ....1 year
Bank statements, cancelled checks, and deposit slips ....7 years
Bills of lading ....3 years
Capital stock and bond records .... Permanently
Cash books .... Permanently
Cash receipts and disbursements ....7 years
Chart of accounts .... Permanently
Checks (cancelled, all other) ....7 years
Checks (cancelled, for important payments, i.e. taxes, property purchases,
special contracts, etc. File checks with the transaction papers) .... Permanently
Construction documents.. Permanently
Contracts and leases (expired) ....7 years
Contracts and leases still in effect.. Expiration +7 years
Corporate records and minutes .... Permanently
Correspondence (legal and important matters only) .... Permanently
Correspondence general ....3 years
Credit Applications (Consumer) ....25 Months (after notification)
Credit Applications (Business) .... 1 year (after notification)
Deeds, mortgages, and bills of sale .... Permanently
Depreciation schedules .... Permanently
Duplicate deposit slips...1 year
Electronic fund transfer documents ....7 years
Employee personnel records (after termination)..7 years
Employment applications ....3 years
Expense analyses and Expense distribution schedules ....7 years
Expired contracts and notes receivable ....7 years
Expired purchase contracts ....7 years
Federal, state and local tax returns .... Permanently
Financial statements (end-of-year trial balances) .... Permanently
Fixed asset records and appraisals .... Permanently
Forms W-4 ....7 years
Garnishments ....3 years
General Ledgers (end-of-year trial balances) .... Permanently
I-9s (after termination)..1 year
Insurance records, current accident reports, claims, policies, etc .... Permanently
Interim and year-end financial statements and trial balances......................... Permanently
Inventories of products, materials, and supplies ....7 years

Invoices .... 7 years
Journals .... Permanently
Licenses .... Permanently
Loan documents, notes .... Permanently
Minute books of directors and stockholders, including bylaws and charter ... Permanently
Monthly trial balances .... Permanently
Notes receivable ledgers and schedules .... 7 years
OSHA logs .... 5 years
Paid bills and vouchers .... 7 years
Payroll journals .... 7 years
Payroll records and summaries .... 7 years
Payroll reports (federal & state) .... 7 years
Perpetual inventory records .... 7 years
Petty cash vouchers .... 7 years
Physical inventory records .... 7 years
Physical inventory tags .... 7 years
Plant cost ledgers .... Permanently
Polygraph test results and reasons for test .... 3 years
Property appraisals by outside appraisers .... Permanently
Property records including costs, depreciation schedules, blueprints, plans .. Permanently
Property titles and mortgages .... Permanently
Purchase journals .... 7 years
Purchase orders .... 7 years
Receiving sheets .... 1 year
Requisitions .... 7 years
Sales journals .... 7 years
Sales records .... 7 years
Savings bond registration records of employees .... 7 years
Scrap and salvage records (inventories, sales, etc) .... 7 years
Shipping tickets .... 3 years
Stock and bond certificate (cancelled) .... 1 yr
Stockroom withdrawal forms .... 7 years
Subsidiary ledgers .... 7 years
Tax returns and worksheets, revenue agents' reports and other documents ... Permanently
Time books/cards .... 7 years
Trade mark registrations .... Permanently
Uncollectible accounts and write offs .... 7 years
Voucher for payments to vendors, employees, etc.
(includes all allowances and reimbursement of employees, officers) .... 7 years
Voucher register and schedules .... 7 years
W-4 forms .... 4 years
Workman's comp documents .... 11 years

SOP # G&A103 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: G&A103 TRAVEL AND ENTERTAINMENT

Policy: All reservations required for business travel and entertainment will be made through the Purchase Manager or designated staff. Expenses are to be within established Organization guidelines and will be reimbursed with proper documentation. Employees are expected to spend the Organization's money as carefully and judiciously as they would their own.

The Organization recognizes that employees who travel far from home to represent the Organization's business interests must forego their living accommodations and may forfeit personal time. Accordingly, the Organization will make efforts to provide comfortable and secure accommodations for lodging, meals and travel for employees. However, these items are not intended to be perquisites and the Organization reserves the right to deny reimbursement of expenses that are considered lavish or extravagant.

Purpose: To provide guidelines for travel and entertainment expenses as they were actually spent, account for all advances promptly and accurately and to communicate the procedures for reimbursement.

Scope: This procedure applies to all departments and individuals who travel or entertain for the Organization.

Responsibilities:

Responsible Party: The individual employee and/or the Purchase Manager

- When the Purchase Manager does not make travel arrangements, each employee is responsible for making arrangements needed for business travel.
- The Purchase Manager may make travel arrangements when requested, provided that arrangements are made at least 15 days in advance.

The Finance Department will receive and review the expense report documentation and send to EdTec to process necessary employee reimbursement. (See PUR106, Reimbursements, for more detailed information.)

Procedure:

1.0 TRAVEL ARRANGEMENTS

1.1 All arrangements required for business travel are to be made individually or through the Purchase Manager. When possible, the Purchase Manager can solicit better corporate discounts and rates for hotels, airlines, car rental agencies and travel agencies. Employees benefit because they do not have to spend their own time comparing rates and making their own arrangements. If making your own arrangements, the employee must find the best possible travel pricing.

1.2 For maximum savings on airfares, this form should always be completed at least 15 days in advance unless an emergency trip is required.

1.3 It is preferable that all employees travel during non-working hours to maximize efficiency. The Purchase Manager will make arrangements for the trip as required and will return a travel itinerary and any tickets or reservation forms to the employee.

1.4 **Cash Advances** - To help ensure accurate and timely expense report preparation and reduce the additional paperwork required to process and track Cash Advances, the Organization generally **discourages** cash advances unless special circumstances apply. Employees are encouraged to use credit cards with a grace period to provide float time between incurring the expense and receiving reimbursement from the Organization.

If an employee requires a cash advance, a formal request must be made through CoolSIS as a check request. The advance request will then be forwarded to accounting for processing upon approval. Travel advance amounts are approved on an as needed basis.

When a cash advance is received, the employee will reduce their expense reimbursement by the amount of the cash advance. In the case where the cash advance exceeds the expenses for the report submitted, the remaining cash must be turned into the accounting department with the expense report. Amounts owed the Organization cannot be carried forward to future expense reports. Any advance outstanding will be deducted from the employee's paycheck.

1.5 **Direct Billings** - Direct billings to the Organization from motels, restaurants, etc. are not permitted unless previously authorized.

2.0 EXPENSE GUIDELINES

2.1 Air Travel - Airline reservations are based on the following criteria:

- Expediency: Getting the employee to their destination in an expedient way. (Direct flights when possible or connecting flights if necessary for faster flight schedules).
- Cost: Employees will fly coach class unless extenuating circumstances apply.
- Air Carrier: An employee's preferred airline can be utilized as long as expediency and cost factors are equal. In most cases, airfare will be directly billed to the Organization's credit card account.

  On occasion, employees may have no alternative but to book their own flight. If this is the case, employees must use regularly scheduled airlines and obtain the lowest (discount) fare available. This may mean that employees will fly at times that are not always the most convenient for them.

2.2 Lodging - Lodging arrangements are based on value, convenience for the traveler and according to what is usual and customary Organization guide lines.

Whenever multiple employees are traveling to the same location, employees will be required to share accommodations if possible (i.e. male/male or female/female). Lodging accommodations will then be made for double rooms accordingly. If an employee is accompanied by a non-employee such as family or a friend, and therefore requires separate accommodations, the employee will be responsible for payment of any excess lodging accommodations.

2.3 Meals - Employees on Organization business will be reimbursed for the actual cost of their lunch and dinner meals in accordance to applicable law. The cost of meals should be reasonably priced based on the locality.

Officers may include reimbursement of actual guest meals for the business of the Organization at their discretion. When officers are traveling under per-diem meal arrangements, and guest meals are paid for, that day's per-diem amount must be adjusted downward by $15 and cannot be claimed.

See form PUR104 Accounts Payable and Cash Disbursements and PUR 106 Reimbursements for additional information regarding Meals.

2.4 Car Rentals – When possible, advance arrangements should be made by the Purchase Manager if a car is required at the destination, otherwise the employee is required to make their own car rental arrangements. Vehicle selection will be based upon the most cost-effective class that satisfies requirements for the employee(s) and any demonstration equipment.

Supplemental auto insurance coverage offered by car rental agencies must be purchased and will be reimbursed.

2.5 Personal Vehicles - An employee who uses their own automobile for business will be reimbursed according to IRS mileage reimbursement guidelines. The employee must provide on the expense report, documentation including dates, miles traveled and purpose of each trip.

The Organization assumes no responsibility for personal automobiles used for business. Further, any parking or speeding violation is the sole responsibility of the employee and each employee must have valid minimum automobile liability insurance as required by state law.

2.6 Telephone **-** Telephone charges from the hotel are not allowed unless it is an emergency.

2.7 Entertainment - Entertainment expenses are not allowed.

2.8 Miscellaneous Expenses - Any additional business expenses that are not categorized above should be listed under miscellaneous expenses and documented with all pertinent information to substantiate the expense.

2.9 Non-Reimbursable Expenses - Some expenses are not considered valid business expenses by the Organization, yet may be incurred for the convenience of the traveling individual. Since these are not expenses for the business then they are not reimbursable. (The following can be used as a guide of expenses, which are not reimbursable)

Examples include:

- Airline or travel insurance
- Airline or travel lounge clubs
- Shoe shine or Dry-cleaning (except for extended travel beyond 5 days)

- Movies or personal entertainment
- Books, magazines or newspapers
- Theft or loss of personal property
- Doctor bills, prescriptions, or other medical services
- Parking tickets, traffic tickets or Car towing if illegally parked
- Health club memberships
- Baby sitter or Pet care fees
- Barbers and Hairdressers

3.0 EXPENSE REPORT PREPARATION AND REIMBURSEMENT

3.1 All business reimbursement expenditures incurred by employees of the Organization are reimbursed through CoolSIS. Reimbursement receipts must be submitted monthly and any receipt that is older than 60 days will not be reimbursed at the discretion of the Chief Financial Officer.

Expense report forms must be filled out completely. Required original receipts for items charged must accompany all reimbursement documentation as well as uploaded into CoolSIS. Any questions regarding completion of the report should be directed to the employee's supervisor or the accounting department.

Upon completion, the expense report along with all attachments should be submitted to the employee's appropriate supervisor in CoolSIS for approval. After approval, the expense report is submitted to the accounting department for processing and reimbursement. In order to expedite reimbursement, the employee should ensure that the report is completed properly, required documentation is attached, proper authorization is obtained, and any unusual items properly explained and documented.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office provider process	Oswaldo Diaz, CFO

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SOP # G&A104 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD/**

Title: **G&A104 MANAGEMENT REPORTS**

Policy: EdTec will prepare summary reports of vital operating statistics for the Organization, including revenues, current debt, operating cash, accounts receivable and projected short-term cash flows. These reports are to be prepared and are to supplement detailed monthly and quarterly financial reports and are to be used for timely "hands-on" management.

Purpose: To provide the format and content requirements for preparation of the Financial Reports.

Scope: The procedure applies to EdTec and the Finance personnel required for preparation of these reports.

Responsibilities:

EdTec will be responsible for assuring effective and informative reporting for the Organization.

Finance Manager is responsible for preparing and maintaining a summary of all reports.

Procedure:

1.0 PREPARATION GUIDELINES

1.1 The logistics of preparing financial summaries will vary, depending on the accounting system used and the needs of the Organization. Most computerized systems offer an "executive summary" screen of critical financial information. The objective is to provide a quick recap of the financial status of the Organization that should lead to plans for corrective actions or adjustments.

Bi-monthly reports should be considered “exception reports” that provide management the necessary information to understand whether the Organization is progressing as planned.

The timing of reports is critical to the effective operation of the Organization. Reports should be prepared and distributed in a timely fashion following the end of the reporting period.

To improve readability, simplify preparation, and allow users to focus on the materiality of the data, all reporting should be rounded and/or plugged to the nearest $1 increments when possible. Note: larger companies may wish to focus on $100 or more increments.

1.2 If details are not available then use control totals and note on the report any estimates. Follow up with actual results as soon as practical. The preparer should keep in mind that the objective of the report is to provide a quick recap of the financial status of the Organization and not a time-consuming detailed financial analysis. Leave exhausting details in the books for later analysis as required.

1.3 Make statements easy to read. Use the following style guidelines to improve readability:

- Use 8-1/2 x 11 paper
- Use a lot of "white space" on the page
- Limit columns of figures to three columns
- Omit cents and use thousands of dollars as appropriate. Indicate on the report the units used in a legend.
- Indicate only significant expenses and group remaining items
- The preparer should date (month/day/year) and initial all reports.

1.4 EdTec will file a copy of repetitive reports for later retrieval, auditing or trend analysis.

1.5 The Finance Manager will prepare and maintain a summary of all reporting. The summary will include the following categories:

- Department or Functional Area
- Name of Report
- Purpose of the Report
- Frequency of Preparation
- Distribution of Copies

1.6 Updates of the summary will be issued to all Organization officers and department managers. Managers should use the summary to determine what information is being compiled and the format and distribution of reporting. Many times duplicate or redundant information gathering, reporting and filing can be avoided by merely changing the format or distribution of existing reports.

2.0 FINANCIAL REPORTS

2.1 The Chief Financial Officer and Finance Manager should review accounting program financial reports on a regular basis.

3.0 CASH FLOW REPORT

3.1 The Cash Flow Report represents a summary of the cash flowing through the Organization in the near term and identifies any potential shortfall that might occur in the near future before it occurs. The Cash Flow Report should be reviewed quarterly by the Chief Financial Officer. This report supplements the detailed monthly and quarterly financial statement reports and provides a quick look at the cash performance of the Organization.

3.2 The Cash Flow Report should include projected operating cash balances for each week with estimated cash receipts by major classifications and projected disbursements by major account classifications.

3.3 EdTec will notify the Chief Financial Officer of any shortfall so that the Organization may determine alternative courses of action to rectify the situation.

4.0 BUDGET VS. ACTUAL REPORT

4.1 The Budget vs. Actual Report represents a comparison of planned operating expenses to the actual expenses incurred for the period. The objective is to highlight results against plan, percentages and variances and thus provide a basis for management decisions. The Budget vs. Actual Report is prepared and maintained by EdTec on a monthly basis.

4.2 The Budget vs. actual report should be divided into three main components. 1) Current period budget, actual and variance totals, 2) a description of the major income and expense account classifications similar to the financial statements, and 3) the Current year-to-date budget, actual and variance totals. The percent column should be used to list each line as a percentage of total revenues. Alternatively, it can also represent the percentage variance or change from last period.

5.0 FINANCIAL STATEMENTS

5.1 The Chief Financial Officer, Chief Executive Officer, and the Board of Directors should review the Financial Statements bi-monthly for each board meeting. This report provides one indication of the performance of the Organization.

5.2 The Financial Statements typically are comprised of three main parts: The Statement of Financial Position, Statement of Activities, and the Statement of Cash Flows (Statement of Cash Flows quarterly).

The <u>Statement of Financial Position</u> lists all of the Organization's assets (cash, receivables, deposits, inventory, equipment, intellectual property, etc.), liabilities (debt, lease obligations, etc) and net assets. It identifies the assets (which are "the business") and the financiers, or debt and equity holders and the relationship between the two.

The <u>Statement of Activities</u> represents the Organization's operational sources of cash - revenue - or uses - business expenses and is typically divided into operating periods that represent months, quarters or years of operations. It identifies the profitability of the Organization as a function of the accounting decisions.

The <u>Statement of Cash Flows</u> is the difference between the Statement of Financial Position sources and uses of cash and the Statement of Activities sources and uses of cash. This difference assists in identifying the health of the Organization's operations. It identifies whether the Organization is producing cash or consuming cash and at what rate and from what sources.

5.3 The Financial Statements should be produced after the close of the Organization's period (see procedure G&A105 PERIOD-END REVIEW & CLOSING). The final Financial Statements form the basis for the Organization's formal presentations to the Board of Directors, or other stakeholders such as banks, outside agencies, or creditors in accordance with procedure G&A109 CONFIDENTIAL INFORMATION RELEASE.

References:

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

Since 1973, the Financial Accounting Standards Board (FASB www.fasb.org) has been the designated organization in the private sector for establishing standards of financial accounting and reporting. Those standards govern the preparation of financial reports. They are officially recognized as authoritative by the Securities and Exchange Commission (Financial Reporting Release No. 1, Section 101) and the American Institute of Certified Public Accountants (Rule 203, Rules of Professional Conduct, as amended May 1973 and May 1979). FASB pronouncements are the primary sources of GAAP.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

A collection of accounting principles. Typically includes the most recent developments of all generally accepted accounting principles (GAAP) as derived or collected from various technical pronouncements. Sources include FASB statements, interpretations, technical bulletins and concepts; American Institute of CPAs (AICPA); Accounting Principles Board opinions, accounting research bulletins, and position statements; and Securities and Exchange (SEC) financial reporting releases.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Revision of responsibilities	Oswaldo Diaz, CFO

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SOP # G&A105 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: G&A105 PERIOD-END REVIEW & CLOSING

Policy: An orderly, timely and comprehensive review of all general ledger accounts should be performed or directed by the Chief Financial Officer to ensure an accurate representation of the company's financial statements. These practices are aimed at proving that the financial accounts are accurate, and if not, are properly adjusted to make them accurate, prior to closing.

Purpose: To provide a general overview of the process to be completed for reviewing the accounting records at year-end or any particular month-end prior to closing.

Scope: These practices apply to all accounts. Typically, all financial accounts are reviewed and then closed out as of the company's year-end. Consequently, the procedures that follow are discussed in reference to year-end review. However, a sub-set of these procedures is also applicable to month-end reviews. Month-end procedures are identified near the end of this module.

Responsibilities:

EdTec is responsible for creating and reviewing all period-end activities to ensure the period-end financial statements accurately reflect the results of the Organization's activities. All final closing adjustments should be approved by the Chief Financial Officer.

The Financial Analysts ares responsible for helping gather all documentation required to complete the period-end closing.

Definition: "Review" refers to the procedures involved in examining the financial statement balances at any given period to ascertain their accuracy.

"Closing" is the process of advancing from one month or period to the next or from one year to the next. In most computerized accounting systems the periods are closed by executing a menu command. Monthly closings usually involve nothing more than entering the next month and responding to the program's suggestion to print various month-end reports or inserting a password such that transactions cannot be entered back in time from a specific point. Even after moving to the next month, many accounting systems allow the user to return to previous months to enter or edit transactions.

The yearly closing is more rigorous since it involves re-setting all Statement of Activities accounts to zero. Once a year is "closed", some accounting systems do not allow the user to go back or open a closed period to make changes. So be careful, once the period is closed, it is official and any adjustments that are required will need to be made in the current or next open period. The prior year should be password protected once it is closed to prohibit transactions being posted in the prior year.

Background: The financial statement is the most important management tool for the Chief Financial Officer. It is comprised of the statement of financial position and the statement of activities.

The statement of financial position accounts are measured at a moment in time, like a snapshot. They reflect a total of items at any particular time: a total of cash, accounts receivable, inventory, fixed assets, accounts payable, debts, and net assets retained in the company.

The statement of activities accounts are measured over a period of time, like a movie. They represent the sum total of transactions: sales, purchases, payroll, etc. The difference in sales less all related expenses equals the net income or loss for the period of time being measured.

Accounting is a double-entry system. Thus, each business transaction has two equal sides. For example, paying an expense decreases cash on the statement of financial position and increases an expense on the statement of activities. Getting paid for a service, fundraising, or grant revenue increases cash on the statement of financial position and increases revenue on the statement of activities. Because of this interdependency, the accuracy of the statement of activities is dependent upon the accuracy of the statement of financial position.

It is easier to prove the accuracy of the statement of financial position. Adding up how much each customer owes the store or reconciling cash to the bank statement is a much simpler process than attempting to add up each individual sales transaction on the statement of activities. For this reason, more time is actually spent on proving the accuracy of the statement of financial position.

Once the statement of financial position is proven, the statement of activities, in total, must be right! The only errors would be misclassifications, (i.e.: the phone bill could be incorrectly posted to the rent expense account). The accounts of the statement of activities are generally reviewed for reasonableness by comparing amounts to prior periods and analyzing ratios. However, the accounts of the statement of financial position are compared to actual totals of items counted (cash, receivables, inventory, payables, fixed assets, etc.).

The Chief Financial Officer or Finance Manager is encouraged to understand these concepts and to take the initiative to keep the financial statements as accurate as possible, regardless of how much an outside accounting service is utilized.

Procedure:

1.0 CLOSINGS PREPARATIONS

1.1 The steps to the actual period-end are not all performed on the exact end of the period. Some accounts cannot be "settled", proved, or reconciled until all third party information is received.

Bank statements from banks usually don't arrive until a couple weeks after a month end. And, many final payroll tax payments and yearly reconciliation forms aren't due until the end of the following month. Also needed are final bills from vendors, credit card statements, month end statements from vendors and year-end loan statements from banks and other financial institutions. All of this information is needed before a business can truly "close its books".

Fortunately, most accounting systems allow a business to continue posting transactions into subsequent months of the new year, without actually "closing" the previous year-end. The Finance Manager should be familiar with the specific software procedures for keeping the prior year open until all final closing adjustments have been made. It's not unusual for businesses to continue processing transactions for almost the entire next year before closing the prior year.

1.2 Compile all period-end documents in preparation for closing the accounting period. These documents include:

- Bank statements to all accounts
- Final payroll and tax amounts
- All final bills and month-end statements from vendors
- All credit card statements
- All year-end loan or debt statements
- All asset acquisition and disposition transactions
- All program costs

1.3 Fewer procedures are performed at month-end dates. At a minimum the following procedures would be expected for monthly closings:

- Reconcile all bank accounts
- Print and compare the aged receivables and payables to the general ledger. Make appropriate adjustments to balance the accounts.
- Review all Statement of Financial Position and Statement of Activities accounts for completeness
- Retain all above reports in a monthly summary file.

2.0 STATEMENT OF FINANCIAL POSITION: ASSETS

2.1 Prepare a year-end closing file to store all reconciliation documents and printed reports as described below.

2.2 **Cash accounts** - prepare the bank reconciliations for year-end balances per the bank statement to the balance per books for each account. The year-end reconciliation is especially important for preparing the final year-end financial statements to ensure that it is completely accurate.

Show origination dates and description of each reconciling item. Prepare the necessary journal entries to adjust to the reconciliations. Prepare a summary of all petty cash and change drawer funds. Totals must agree with the general ledger. File all reconciliation reports in the year-end closing file.

2.3 **Accounts Receivable** – Print a detailed aged accounts receivable report and then reconciles it to the General Ledger. This can be prepared as soon as all accounts receivable are calculated as of year-end. Calculate possible allowances for un-collectible accounts. Adjust prior allowances to calculated amount. Write off any un-locatable differences. Retain a complete copy of the detailed accounts receivable, along with any reconciling adjustments in the year-end closing file.

2.4 **Inventory** – Supplies inventory may be small but should be evaluated periodically for cost increases.

2.5 **Capital Assets** - Update the detailed schedule of fixed assets with any additions and deletions and reconcile to the general ledger balances.

2.6 **Other Assets** - Other assets include utility or real estate deposits, prepaid insurance, advances to employees, and intangibles like store pre-opening costs. These should all be identified and documented. For example, a copy of the initial deposit with the utility company, or a list of the facility pre-opening costs with a schedule showing how much of those costs are to be amortized each year. File copies of these documents in the year-end closing file.

3.0 STATEMENT OF FINANCIAL POSITION: LIABILITIES AND NET ASSETS

3.1 Liabilities are shown as the amount to be paid in the subsequent period. If in doubt, record the liability.

3.2 **Accounts Payable** - Print a detailed aged accounts payable report and reconcile it to the general ledger. This is generally completed 2 to 4 weeks after the year-end to ensure that all vendor invoices relating to services and merchandise purchased have been received and entered.

Compare all month-end vendor statements to balances per accounts payable and investigate any differences. Consider making adjustments for any significant unrecorded liabilities such as work started prior to year-end, but not yet billed by the supplier. Retain a complete copy of the accounts payable detail, along with any reconciling adjustments, in the year-end closing file.

3.3 **Accrued Expenses** - Review accruals for sales tax, payroll, payroll tax, payroll deductions payable, interest expense on short-term borrowings and long-term debt.

3.4 **Loan Debt** - Verify recorded accuracy of debt by ensuring the general ledger balances agree to year-end statements from lending institutions. Save all year-end statements in year-end closing file.

3.5 **Contingent Liabilities and Commitments** - Prepare a schedule of any outstanding litigation and possible losses. Prepare a schedule of all long-term rental agreements with amounts due by year for the next five years. Retain these schedules in the year-end closing file.

3.6 **Net Assets** - Record any changes in the Prior Period Adjustment category but ordinarily this account does not have any transactions directly posted to it.

4.0 STATEMENT OF ACTIVITIES: REVENUE & SUPPORT

4.1 **Revenue & Support** – Review all program billings, reimbursement billings, and any other donations.

4.2 Additionally, the Chief Financial Officer should periodically review revenue trends, cost associated with revenues, variable expenses and fixed expenses. Look for patterns, new trends, seasonal variances, or profitable emerging products that may indicate changes in customer or program behavior.

4.3 The Chief Financial Officer and/or Finance Manager should analytically review the revenue reports and explain all variances.

5.0 STATEMENT OF ACTIVITIES: EXPENSES

5.1 Each expense total should be compared to expense total from the year before (and budgets if applicable). Attempt to explain any unusual variances. Some expense items are directly related to asset or liability accounts and can be reconciled in conjunction with the related Statement of Financial Position account.

5.2 **Program Costs** - A detailed report should be produced of program costs and analyzed in relation to the associated revenues and to prior periods.

5.3 **Payroll** - At year-end, the various payroll expense accounts should agree to total gross payroll per payroll reports. Account for all deductions for W-3 reported to the Social Security Administration, 1099s for vendors, as well as FICA and other taxes reported accordingly.

5.4 **Bad Debt Expense** - Prepare a list of all accounts written off during the year. Note specifically any addition to the allowance for uncollectible accounts.

5.5 **Interest Expense** - Prepare a schedule of interest expense by source. Reconcile amounts to short-term borrowings and long-term debt.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/1215**	Inclusion of back-office service provider process	Oswaldo Diaz, CFO

SOP # G&A106 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A106 CONTROLLING LEGAL COSTS**

Policy: The Organization will employ various methods to manage and whenever possible, minimize legal expenses.

Purpose: To describe the procedures for managing and controlling associated legal expenses.

Scope: This statement applies to all individuals with the responsibility for contracting legal services and/or approving agreements, contracts, or any other legally associated transactions.

Responsibilities:

Chief Financial Officer will resolve, negotiate, and examine all legal expenses.

Legal Counsel should provide the estimated costs of legal engagements and the most likely outcome.

Definition: Arbitration - is a private, informal process by which all parties agree, in writing, to submit their disputes to one or more impartial persons authorized to resolve the controversy by rendering a final and binding award, which is enforceable in court. It can be used for a wide variety of disputes from commercial transactions to labor grievances.

Declaratory Judgment - is a binding judgment issued by the court that defines the legal relationship between the parties and their rights with respect to the matter before the court. Commonly used in contract disputes (especially useful if no physical agreement exists and or a suit has not been filed yet) to clarify what conduct is permitted or prohibited by the contract or to clarify the contract if necessary.

A declaratory judgment provides the opposing party (defendant) with the opportunity to pick and chose the venue or jurisdiction, and the parties to the litigation. In this manner the opposing party can steal the initiative, direct the litigation, and maximize its chances of winning.

Procedure:

1.0 ARBITRATION

1.1 Whenever practical, the Organization should utilize arbitration to resolve disputes. Arbitration can significantly reduce the amount of time and legal fees to resolve a dispute. The major features of arbitration are:

- A written agreement to resolve disputes by the use of impartial arbitration. Such a provision can be inserted into a contract for the resolution of possible future disputes, or can be an agreement to submit to arbitration of an existing dispute.

- Under the rules of arbitration, the procedure is relatively simple and informal. Strict rules of evidence do not apply; there is no motion practice or formal discovery; no requirements for transcripts of the proceedings or for written opinions of the arbitrators. The rules are flexible and can be varied by mutual agreement of the parties.
- Impartial and knowledgeable neutrals serve as arbitrators. Arbitrators are selected for specific cases because of their knowledge of the subject matter. Based on that experience, arbitrators can render an award grounded on thoughtful and thorough analysis.
- Final and binding awards which are enforceable in a court. Court intervention and review is limited by applicable state or federal arbitration laws, and award enforcement is facilitated by these same laws.

1.2 The following standard clause should be inserted whenever practical into contracts, agreements, etc. to provide for the arbitration of possible future disputes:

> "Any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration in accordance with the Commercial [or applicable] Rules of the American Arbitration Association and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof."

The arbitration of existing disputes may be accomplished by mutual agreement of parties with the use of the following terminology:

> "We, the undersigned parties, hereby agree to submit to arbitration under the Commercial [or applicable] Rules of the American Arbitration Association the following controversy.
>
> [Describe Briefly]
>
> We further agree that we will faithfully observe this agreement and the rules, and that we will abide by and perform any award rendered by the arbitrator(s) and that a judgment of the court having jurisdiction may be entered upon the award."

2.0 LEGAL SERVICES

2.1 All legal documents prepared for the company's use, such as vendor contracts, employment agreements, sales orders, etc. should be written in common language and whenever possible should avoid the use of legalese or jargon. Legalese tends to complicate even simple arrangements and often unnecessarily requires the incurrence of legal assistance for mere interpretive purposes.

2.2 Before undertaking legal disputes, the Organization's legal counsel should ascertain and inform the Organization of the estimated costs that will be incurred for the legal engagement and the probable or most likely outcome of the case along with the probable amount of any awards or judgments. Use this information to produce a budget and clarify any matters that are increasing the budget. A budget will provide some assurance that the legal counsel has thought the matter through and it will also provide a baseline to determine the legal utility obtained from the matter.

2.3 Use legal action only as a last resort. Legal action is frequently not very effective. In fact, a threatened action — particularly with intellectual property — could result in a pre-emptive declaratory judgment lawsuit by the other party thus giving them the "home-field" advantage, which could lead to higher legal costs.

3.0 LEGAL BILLINGS

3.1 Consider negotiating a "money-back" guarantee with the right to audit any bill for up to six months. Request that all fees that are proven to be unnecessary or excessive be returned. Then examine all legal bills for any such unnecessary or excessive transactions.

3.2 Many times, legal bills are aggregated, vague and too uninformative to be useful in controlling costs. Therefore, all legal arrangements contracted by the Organization should require itemized billings to include the following information:

- Start and end times and dates of each service transaction
- Detailed description of services provided or work performed
- Distinct itemization of each individual performing services

3.3 Examine all internal discussions or conferences and note exactly who is working on the case and why. Ask for a justification for all attorneys working on the case.

3.4 Consider alternatives such as contingent fees, fixed fees, and monthly retainers. All fees are negotiable.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A107 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: G&A107 TAXES AND INSURANCE

Policy: To ensure compliance with all Federal, state, local, and other regulatory taxation requirements

Purpose: To outline the general areas of taxation. To be used as a checklist or guide in complying with tax requirements related to each specific location and organizational structure.

Scope: This statement applies to the business activities of the company.

Responsibilities:

The Financial Analysts ares responsible for determining all tax liabilities and fees, and the dates due

EdTec is responsible for ensuring the timely payment of all tax liabilities and fees..

Procedure:

1.0 ORGANIZATION FEES AND TAXES

1.1 Fees and taxes will vary depending on the legal structure of the business activity. The Organization is a Not-For-Profit organization; however, there may be from time to time revenue earned that is taxable as if the Organization were a For-Profit entity and those profits would be considered Unrelated Business Income and subject to tax.

1.2 The School Site Accountant should check with the secretary of state, registry of charitable trusts, the IRS, and any other agency that non-profit organizations may pay fees with in order to ensure all fees are paid in a timely manner. Failure to pay such fees can result in the loss of the company's legal status or structure.

2.0 UNRELATED BUSINESS INCOME TAX

2.1 Activities conducted not related to the exempt purpose of the Organization can be subject to unrelated business income tax.

3.0 PAYROLL FEES AND TAXES

3.1 The Federal and state governments charge an **unemployment tax**, based on a specified minimum amount of each worker's salary level. For most states, the rate can change from business to business depending on the Company's history of claims and the economic health of the state in which the Company is located.

3.2 **Worker's compensation insurance** may be imposed by a state like a tax. It can also vary based on the amount of payroll, past history of worker's compensation claims, and the type of work in which the business is engaged. This coverage is generally arranged through an insurance company.

3.3 At the Federal level, payroll is taxed at a uniform rate for **Social Security** and **Medicare**. These two taxes are evenly shared between the company and the employee up to certain levels of income. Additionally, personal income taxes, based on the employee's compensation, must be **withheld** from the employee's earnings and remitted to the government by the company, along with the company's and employee's share of **Social Security** and **Medicare** taxes.

3.4 In California, a portion of the employee's compensation is also **withheld** and remitted to the state by the Organization.

3.5 Other payroll withholdings, mandated by Federal or state requirements, may require wage garnishments to fulfill a bankruptcy edict or childcare payment requirement.

3.6 The Treasury Department and or the Internal Revenue Service (IRS) collects all monies due the Federal Government. Technically, withholding amounts deducted from a paycheck are considered the government’s money and the business owner is temporarily holding the money, in deposit, until it can be transferred to the government. Any failure to pay in a timely fashion is considered a serious matter by the IRS and will not be ignored.

The IRS will impose a penalty for failing to pay the required withholding amounts on time. In addition, interest will be charged until the amount is paid. Both interest and penalties imposed by the IRS can add up significantly. Therefore, the IRS is not a good source to “borrow” money from if cash is tight.

Note: Money due the IRS is NOT dischargeable in bankruptcy.

3.7 Certain local municipalities charge an **Earnings tax** based on payroll, income, assets, stock options granted or any combination. Check with the city clerk for details.

4.0 EXCISE TAXES

4.1 There are many different federal government taxes or fees imposed on the commerce of different types of businesses. The following represents the most common.

4.2 Penalties and interest may result from any of the following acts.

- Failing to collect and pay over tax as the collecting agent.
- Failing to keep adequate records.
- Failing to file returns.
- Failing to pay taxes.
- Filing returns late.
- Filing false or fraudulent returns.
- Paying taxes late.
- Failing to make deposits.

- Depositing taxes late.
- Making false statements relating to tax.
- Failing to register.

5.0 OTHER TAXES AND CREDITS

5.1 Many state, counties, and cities impose **real estate taxes.** The Organization should ensure that where possible the Organization has applied for exemption from property taxes as a non-profit organization.

5.3 **Sales Taxes** – at this time, the Organization does not sell any products and is not subject to sales tax.

6.0 TAX PAYMENTS

6.1 The School Site Accountant should create and maintain a detailed tax calendar as a guide, which provides a sample guide to some of the most common taxes. The guide should serve a reminder of tax due dates.

7.0 INSURANCE

7.1 Insurance needs for a business can be grouped in two broad categories, those that are directed at safeguarding assets and those that are furnished as employee benefits. Employee benefit insurance such as, health insurance, disability insurance and key man life insurance, should be considered in light of its importance in the entire employee compensation mix and in light of the personal needs of the company's owner(s).

7.2 Insurance used for safeguarding company's assets includes: property, causality, key-man and professional liability insurance, as well as auto insurance, errors and omissions, directors' liability or business interruption insurance. The levels and terms of these policies should be determined based upon the value of the assets at risk and creditor or state and local requirements.

7.3 Business with a lot of employees should consider employment practices liability insurance covers businesses against some types of employee lawsuits including:

- Sexual harassment
- Discrimination
- Wrongful termination
- Breach of employment contract
- Negligent evaluation
- Failure to employ or promote
- Wrongful discipline
- Deprivation of career opportunity

- Wrongful infliction of emotional distress
- Mismanagement of employee benefit plans

7.4 Certificates of insurance may be required to be on file or on display depending on governmental requirements. It is important to consider that the insurance policy is a contract. Each year's policy should be saved in a permanent file. A product liability suit can go back many years, and if the potential claim is significant, the protection afforded by the prior year's insurance coverage will be improved if that year's policy has been saved.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, CFO

SOP # G&A108 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: G&A108 PROPERTY TAX ASSESSMENTS

Policy: All property tax assessments will be reviewed for accuracy and proper assessed valuations to ensure minimum property tax costs to the Organization.

Purpose: To outline the areas for review in assessments and methods for appealing overstated assessments. A Non-Profit property tax exemption is the preferred method to minimize property taxes.

Scope: This statement applies to the Finance Department for property tax assessments for all sites owned by the Organization.

Responsibilities:

The Chief Financial Officer is responsible for reviews of Assessments including the review of Property Descriptions, validating record accuracy and submitting appeals to local Assessor's Offices.

Procedures:

1.0 REVIEW OF ASSESSMENTS

1.1 All assessments are to be promptly reviewed. Many jurisdictions only allow a challenge to an assessment within 30 days after the annual notice of assessed value is sent. If the Finance Department misses the deadline, the Organization loses the chance to reduce the year's property taxes. There are normally no refunds for prior years' property taxes even if successfully challenged in the future. Often, it may be advisable to begin the analysis process prior to receiving the assessment notice.

1.2 When reviewing an assessment, the first step is to find out how the property was assessed. Ask for a full explanation of how the assessed value was derived. Assessors are usually cooperative in providing this information.

1.3 Upon receipt of the basis for assessment, the following factors should be reviewed:

Note: Do not make the mistake of thinking property has received a favorable low assessment just because its assessed value is less than its market value. Many jurisdictions use "assessment ratios" that are a percentage of market value. What is important is the amount of a property's assessment compared to those of similar properties. A below market assessment may in fact be very high.

- **Research Similar Properties:** Tax assessments are part of the public record. Assessments of similar properties to the Organization's should be looked up to see that the Organization's assessment is in line. The objective is to find assessed values for similar properties that are far lower than the Organization's. For example, organization locations within industrial parks or similar developments should be easy to find very similar properties for comparison.
- **Review Property Descriptions and Accuracy of Records:** Review records for possible clerical errors. Ensure that property descriptions are correct and the building size (total square feet) is not overstated. Make sure that all dates are correct and that all calculations are properly computed. A wrong construction date or simple mathematical error can increase tax valuations.
- **Deflate Property Valuations:** Tax assessors generally value property on the basis of historical cost and the recent sales prices of other properties in the area. Often, when figuring local property taxes, numbers reported on the federal tax return will be used. Depreciable assets are valued at cost on the federal return when figuring depreciation deductions. However, the appropriate assessment for market value for property tax purposes may very different. Further, instead of performing actual physical inspections or assessments of properties every year, local assessors use "equalization ratios" to adjust the annual assessment. The equalization ratio is a type of an inflation adjustment meant to reflect the current general trend in property values. However, the current trend in property values may not apply to the Organization's property.

1.4 If the Organization can provide solid reasons for using different measures to value property, it may be able to receive a reduction in property taxes. Possible valuation methods can include:

- **Income Production:** Measure the current value of the cash flow stream generated by the property, which may be substantially lowered during a recession.
- **Replacement or Reproduction Cost**: How much it would cost to replace or reproduce the property should be determined. For example, if the construction industry is in a downturn, the cost to replace the property may be less than what the Organization paid for the property.
- Also the Organization should evaluate if it incurred any construction cost overruns due to bad weather, labor disturbances, material shortages, etc., that may have increased the cost of a new building without adding to its value. Decorative features may also add much less value than their actual cost.
- **Market Prices:** The actual recent sales of similar properties may show that the Organization's property is over-assessed.

- **Unique Features or Business Obsolescence:** Changes to the characteristics of the property or features specific to the Organization's business may reduce its value. Examples can include:
- Change in zoning restrictions that limit the use of the property.
- Changes in neighborhood logistics, such as a median divider placed in a highway that deprives a location from access to customers, rerouting of a highway, closing of a railroad line or economic decline in the area that forces the Organization's traditional customer base to move away.
- Obsolete design for the Organization's particular business needs such as a facility that has been specially designed to hold machinery that has been made obsolete by a competitor's innovation or a communications facility built with conventional wiring that is obsolete due to a switch in the industry to the use of fiber optics.
- Unique design aspects which meet Organization needs but would reduce the value of a property to others.
- A general downturn in the Organization's industry.
- Including Personal Property in Building Valuations: Property that is movable is personal property and should not be included in a valuation of the building. Many items such as piping, wiring, climate control systems, generators, special supports and foundations for equipment may look like part of the building to the assessor but should not be included in the building's assessment.

1.5 Where the Organization is renting classroom or other facilities with triple net leases that includes property taxes that the Organization paid, the Organization should consider evaluating the lease location for the possibility that the landlord has not lowered the property taxes or is charging an unfair higher property tax to the Organization.

1.6 Under all circumstances the Organization should seek a property tax exemption or waiver. Often times the County will assess taxes for the first year, and the waiver will apply thereafter.

2.0 APPEALING OF ASSESSMENTS

2.1 If upon review of the assessment and all other factors, the Finance Department believes a downward adjustment to the property assessment is appropriate, an appeal should be prepared. Experience has shown that if an organization presents a sound argument for challenging an assessment, the Organization has an excellent chance of receiving some type of tax reducing adjustment even if it is less than the Organization had requested.

2.2 The appeal case should include documentation of the above findings. It is important to keep in mind that the property tax assessor may not be familiar with the details of the Organization's business or industry, so the Organization must prepare to explain how such factors may affect a property's value.

2.3 Once a sound case is prepared, an appeal can be sought by simply calling the local assessor's office and asking for an appointment to discuss the assessment. The meeting with the local assessor will generally be informal. It is important to not be adversarial with the assessor but to present the attitude that the Organization is helping the assessor to reach a more accurate valuation for the property by presenting additional information.

2.4 If the Organization does not receive any or a large enough adjustment, an appeal may be made with the local Board of Appeals. These meetings will probably be more formal and the Organization may wish to provide expert testimony or obtain an independent appraisal of the property to present to the Board of Appeals.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A109 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A109 CONFIDENTIAL INFORMATION RELEASE**

Policy: The release of financial, statistical or other information that may be of a confidential nature to the Organization should be controlled. Individual requests should be referred to the Chief Financial Officer, Finance Manager, or appropriate manager for disposition.

Purpose: To provide a means for the control of information to banks, media, credit bureaus, or other agencies and organizations.

Scope: All requests by an outsider to an employee regarding financial, revenue, marketing, customers, personnel, vendors, or other Organization confidential information. If in doubt, verify with the Chief Financial Officer or Finance Manager.

Responsibilities:

Chief Financial Officer is responsible for safeguarding all Organization information and determining the appropriate level of detail for release.

Finance Manager is responsible for assuring effective control of informative requests.

Office Manager shall oversee all responses to all reference requests.

Procedure:

1.0 FINANCIAL INFORMATION REQUESTS

1.1 Typical written requests are for additional information concerning details of the published financial statements, litigation progress, insurance coverage, names of investors, etc. If the request is by letter or other written correspondence, the material shall be forwarded to the Chief Financial Officer who will decide what information may be released and who will be authorized to reply.

1.2 If the request is by telephone or a personal visit to our office, the requester should be referred to the Chief Financial Officer or the Finance Manager. If either is unavailable, the requester should be asked to provide their name, Organization, telephone number and address, if possible. Also they should be asked the reason for the request and a brief description of the information desired. This information should be written down and forwarded to the Chief Financial Officer for follow-up.

1.3 The Chief Financial Officer should determine the appropriate response for each request. Formal Financial Statement presentations to the Board of Directors, or other stakeholders such as banks, should be accompanied by an opinion or comment from the Organization's Certified Public Accountant (CPA) prior to any formal presentation. (If no outside CPA review is obtained then some people may consider the Financial Statements as "Pro-Forma" and then request copies of completed tax returns). The accountant will examine the Financial Statements and prepare a formal version to one of three standards: compiled, reviewed or audited. The Organization should use an economically appropriate CPA standard sufficient to satisfy outside requirements.

The CPA standards are as follows:

- Compiled Financial Statement. The CPA is unable to make any assurances on the data or methods used to produce the financial statements. The CPA will re-cast the financial statements into a standard format (as per Generally Accepted Accounting Principles or GAAP) with a disclaimer that the statements are un-audited and the information is solely derived from the management of the business entity.
- Reviewed Financial Statement. The CPA is able to make some limited assurances that material changes are not required in order for the Financial Statements to be in conformity with GAAP. The CPA uses limited inquiry and some analytical procedures to ascertain the reasonableness of the statements. The information is then re-cast into a standard format with appropriate footnotes and a disclaimer that the statements are un-audited and only a limited inquiry has been made into the reasonableness of the information.
- Audited Financial Statement. The CPA provides assurance, through an opinion letter, that the financial statements are a fair representation of the financial position, results of operations, and cash flows of an entity. This opinion is given after a detailed review and verification of the accounting records and processes used to produce the data. Verification steps include various analytical procedures, client surveys, third party confirmation, and detailed accounting record reviews.

Any irregularities found could lead to either a "qualified" opinion, to indicate that something is inconsistent with GAAP, or an "adverse" opinion, which calls into question the reliability of the information itself. The CPA considers an adverse opinion very serious.

1.4 Some types of confidential information may require the signing of G&A109 Ex1 NON-DISCLOSURE AGREEMENT, prior to release. This may include requests for product release schedules, development plans, elements of corporate strategy, customer lists, intellectual property, financial information, legal proceedings, or time sensitive information.

2.0 PERSONNEL INFORMATION REQUESTS

2.1 The Office Manager shall oversee all responses to all reference requests. No other employee, including a former employee's immediate supervisor, shall be authorized to respond independently without first obtaining approval from Human Resources.

2.2 All requests should be in writing, using Organization letterhead, indicating in that letter that the subject of the reference request has applied for a job. Information is not to be provided over the phone.

2.3 Each response shall be obtained only from people with first-hand knowledge of the employee's performance.

2.4 The Office Manager shall review all responses to ensure that:

- Only factual information about the employee's job performance and qualifications for employment are included in the response. At no time should a response include emotions, personal feelings, rumors, non-work-related comments or exaggerations.
- If at all possible it is important that some form of documentation or solid evidence supports all information provided in the response.

2.5 Retain a copy of all responses, including the contents of any oral response, in the former employee's personnel file.

3.0 CREDIT REFERENCE INQUIRIES

3.1 All credit reference requests should be in writing. Information requests should be directed to the Office Manager and are not to be provided over the phone.

3.2 The Office Manager should review the Credit Inquiry form for completeness prior to responding. Retain a copy of all responses, including the contents of any oral response, in the customer's file.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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G&A109 Ex1 NONDISCLOSURE AGREEMENT

This NONDISCLOSURE AGREEMENT is made and entered into as of (DATE) between (THE ORGANIZATION NAME, STATE OF INCORPORATION AND ADDRESS), and (OTHER PARTY NAME, STATE OF INCORPORATION AND ADDRESS).

1. **Purpose.** The parties wish to explore and/or implement a business opportunity of mutual interest, and in connection with this opportunity, each party may disclose to the other certain confidential technical and business information that the disclosing party desires the receiving party to treat as confidential.

2. **"Confidential Information"** means any information disclosed by either party to the other party, either directly or indirectly, in writing, orally or by inspection of tangible objects (including, without limitation, documents, prototypes, samples, plant and equipment) that is designated as “Trade Secret”, "Confidential", "Proprietary" or some similar designation, or is of such a nature or has been disclosed in such a manner that it should be obvious to the receiving party that such is claimed as confidential. Information communicated orally shall be considered Confidential Information within a reasonable time after the initial disclosure. Confidential Information may also include information disclosed to a disclosing third party by third parties. Confidential Information includes, without limitation, a disclosing party's trade secrets, know-how, intellectual property and proprietary information as well as business plans, financial data and the status and terms of any discussions between the parties regarding a potential business transaction. Confidential Information shall not, however, include any information that (i) was publicly known and made generally available in the public domain prior to the time of disclosure by the disclosing party; (ii) becomes publicly known and made generally available after disclosure by the disclosing party to the receiving party through no action or inaction of the receiving party; (iii) is already in the possession of the receiving party at the time of disclosure by the disclosing party as shown by the receiving party's files and records immediately prior to the time of disclosure; (iv) is obtained by the receiving party from a third party without a breach of such third party's obligations of confidentiality; (v) is independently developed by the receiving party without use of or reference to the disclosing party's Confidential Information, as shown by documents and other competent evidence in the receiving party's possession; or (vi) is required by law to be disclosed by the receiving party, provided that the receiving party gives the disclosing party prompt written notice of such requirement prior to such disclosure and assistance in obtaining an order protecting the information from public disclosure.

3. **Non-use and Non-disclosure.** Each party agrees not to use any Confidential Information of the other party for any purpose except to evaluate and engage in discussions concerning a potential business relationship between the parties. Each party agrees not to disclose any Confidential Information of the other party to third parties or to such party's employees or agents, except to those employees or agents of the receiving party who are required to have the information in order to evaluate or engage in discussions concerning the contemplated business relationship. A receiving party shall be responsible and liable for the action of its employees and agents with respect to a disclosing party's Confidential Information and shall fully cooperate with the disclosing party in enforcing any rights of the disclosing party against any such person in connection with a breach of this Agreement. Neither party shall reverse engineer, disassemble or de-compile any prototypes, software, or other tangible objects that embody the other party's Confidential Information and that are provided to the party hereunder. Neither party shall hire any employees of the other during the term of this Agreement and for a period of two years thereafter.

4. **Maintenance of Confidentiality.** Each party agrees that it shall take reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of the Confidential Information of the other party. Without limiting the foregoing, each party shall take at least those measures that it takes to protect its own highly confidential information and shall ensure that its employees and agents who have access to Confidential Information of the other party have signed a Non-use and Non-disclosure agreement in content similar to the provisions hereof, prior to any disclosure of Confidential Information to such employees and agents. Neither party shall make any copies of the Confidential Information of the other party unless the other party previously approves the same in writing. Each party shall reproduce the other party's proprietary rights notices on any such approved copies, in the same manner in which such notices were set forth in or on the original.

5. **Ongoing Development.** Nothing in this Agreement shall prohibit or restrict either party's right to develop, use or market products or services similar to or competitive with those of the other party disclosed in the Confidential Information as long as such shall not otherwise be a breach of this Agreement. Each party acknowledges that the other may already possess or have developed products or services similar to or competitive with those of the other party disclosed in the Confidential Information. Each party shall remain free to use in the course of its business its general knowledge skills and experience incurred before, during or after the date of this Agreement and the activities hereunder.

6. **No Obligation.** Nothing herein shall obligate either party to proceed with any transaction between them and each party reserves the right, in its sole discretion, to terminate the discussions contemplated by this Agreement concerning the business opportunity. Upon termination of such discussions the parties shall return all Confidential Information as provided in paragraph 8 and shall have no further rights to evaluate or use the Confidential Information of each other for any purpose whatsoever.

7. **No Warranty.** ALL CONFIDENTIAL INFORMATION IS PROVIDED "AS IS." THE PARTIES MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED OR OTHERWISE, REGARDING THE ACCURACY, COMPLETENESS OR PERFORMANCE OF ANY OF ITS RESPECTIVE CONFIDENTIAL INFORMATION.

8. **Return of Materials.** All documents and other tangible objects (except for any tangible objects purchased by a party) containing or representing Confidential Information that have been disclosed by either party to the other party, and all copies thereof which are in the possession of the other party, shall be and remain the property of the disclosing party and shall be promptly returned to the disclosing party upon the disclosing party's written request.

9. **No License.** Nothing in this Agreement is intended to grant any rights to either party under any patent, mask work right, trademark, trade secret or copyright of the other party, nor shall this Agreement grant any party any rights in or to the Confidential Information of the other party except as expressly set forth herein.

10. **Term.** The obligations of each receiving party hereunder shall survive until such times as all Confidential Information of the other party disclosed hereunder becomes publicly known and made generally available through no action or inaction of the receiving party. Notwithstanding the surviving obligations of a receiving party to maintain the confidentiality of a disclosing party's Confidential Information either party may at any time given written notice to the other party that it does not desire to receive any additional Confidential Information from the other party. After receipt of such notice, such party shall no longer furnish its Confidential Information to the notifying party.

11. **Remedies.** Each party agrees that any violation or threatened violation of this Agreement may cause irreparable injury to the other party, entitling the other party to seek injunctive relief in addition to all other legal and equitable remedies.

12. **General Provisions.** This Agreement shall bind and inure to the benefit of the parties hereto and their successors and assigns. This Agreement shall be governed by the laws of the State of Missouri, without reference to conflict of laws principles. This document contains the entire Agreement between the parties with respect to the subject matter hereof. Any failure to enforce any provision of the Agreement shall not constitute a waiver thereof or of any other provision. This Agreement may not be amended, nor any obligation waived, except by a writing signed by both parties hereto.

(THE ORGANIZATION).	(THE OTHER PARTY)
By:	By: ____________________________
Name:____	Name:___________________________
Title: _________________________________	Title: ___________________________

SOP # G&A110 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: G&A110 DOCUMENT CONTROL

Policy: All documents used to provide work direction or set policy should be reviewed, approved, distributed and controlled by the office of the Chief Financial Officer.

Purpose: To define the methods and responsibilities for controlling documents used to provide work direction or set policy, and to define methods for document revision, approval, and distribution.

Scope: This procedure applies to all documents required by the Accounting Management System. Documents of internal or external origin are included.

Responsibilities:

The Chief Financial Officer is responsible for controlling and reviewing, at least annually, the Accounting Manual, all procedures and instructions related to the Accounting Management System, and all External Documents that are required.

The Finance Manager is responsible for maintaining and controlling the Accounting Manual, all procedures and instructions related to the Accounting Management System, and all External Documents that are required.

School Principals are responsible for ensuring the relevant versions of documents are available at the points of use and that they are legible.

Definitions: Controlled Document: A document that provides information or direction for performance of work is that is within the scope of this procedure. Characteristics of control include such things as Revision Number (letter), Signatures indicating review and approval, and Controlled Distribution.

Document: Information and its supporting medium. The medium can be paper, magnetic, electronic, optical computer disc, photograph, or sample.

External Document: A document of external origin that provides information or direction for the performance of activities within the scope of the quality management system. Examples include but are not limited to: customer drawings, industry standards, international standards, or equipment manuals.

Procedure:

1.0 DOCUMENT DISTRIBUTION

1.1 Federal, State, and Local grants and contracts should be controlled. It is up to the Chief Executive Officer, Chief Financial Officer, and Chief Operations Officer to dispose of previous revisions as new revisions are released.

1.2 Each applicable department is responsible for maintaining each department's controlled documents. Examples of external documents include Memorandums of Understanding that may be used or referenced.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

G&A110 Ex1 REQUEST FOR DOCUMENT CHANGE (RDC)

Date:______________________________ RDC No.:__________________

Originator:____

Document Title and Publication Date:____

Page and Chapter, or Paragraph Number:____

Description Of Problem, Opportunity Or Reason For Request (Define in Detail):

____

____

____

Solution Recommended (if known) Date Action Required By:____________________________

____

____

____

Comments:____

____

____

____

____

Department Manager Approval:____

Recommended Solution To Problem or Postponement/Dissolution of Request
(attach all necessary documentation to support response)__________________________________

____

____

____

Approved By:______________________________ Date:______________________

PROCEDURE FOR COMPLETING FORM

1) Complete top section of this form except for RDC number
2) Obtain Department Manager's approval
3) Forward original to the Office Manager who will assign a RDC number (Note: one copy will be returned to originator with RDC number assigned.
4) The Office Manager will take action and if appropriate will proceed with an RDC.
5) The Office Manager returns a copy to Originator upon resolution of request.

Distribution: Original - RDC File Copy 1 - Originator

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G&A110 Ex2 DOCUMENT CHANGE CONTROL

Date:____________________

DCN#:__________________

RDC#:__________________

Doc. or Part No.	Description of Change, Documents affected and reason(s) for change(s)	Action Code(s)	Effective Date

Change Action Required

Make/order New Document:____

Current Docs:

❒ Use until depleted ❒ Return for Credit ❒ Scrap ❒ Save for spares

Other:____

Comments:____

____

____

____

____

Authorization(s): Chief Financial Officer

By:_______________________________

Title:_____________________________

Date:_____________________________

Authorization(s): Office Manager

By:_____________________________

Title:___________________________

Date:___________________________

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SOP # G&A111 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A111 FACSIMILE AND E-MAIL SIGNATURES**

Policy: Fax and E-mail signatures are accepted as if the signature were an authentic wet blue ink signature for any official document.

Purpose: The purpose of this policy is to provide a clear explanation of the guidelines surrounding the use of Fax and E-mail signatures on Organization provided and received E-mail accounts and Fax Documents.

Scope: This applies to all Organization E-mail and Fax documents.

Responsibilities:

Chief Financial Officer is responsible for review and approval of signatures.

Background: E-mail and fax communication are often used more than any other form of communication, is a form of business communication. The format of E-mail and fax documents should be professional in terms of signature and other formatting. E-mail and fax signatures should follow certain guidelines to fit with the overall image of the Organization. As such, the style of address, tone, spelling, grammar and punctuation of all messages should reflect the standards of formal business communication.

Procedure:

1.0 FAX AND E-MAIL SIGNATURES

1.1 What should be included in an e-mail signature:
E-mail and fax signatures should include your name, job title, department, mailing address, telephone and fax numbers, and Web site address. This should be in plain text format to easily accommodate all types of users.

When the signature is for a contract or approving a document or official in any nature, the signature should only be acceptable if the signature is in original "blue" ink.

1.2 What should not be included in a fax or e-mail signature:
Elements that should not be included in fax or e-mail signatures include colored text, very large or complicated fonts, images, clip art or personal quotes. Faculty

and staff should also refrain from using background images or stationary in their e-mail correspondence.

1.3 No fax or e-mail document is considered officially received as if it were an original blue ink wet signature until after the Organization has sent a formal reply to the fax or e-mail that the signature has been accepted.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A112 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A112 MAINTENANCE REQUESTS**

Policy: Any maintenance work must be approved and pre-authorized.

Purpose: The purpose of this policy is to provide a clear explanation of the guidelines in obtaining approval for building, equipment, and general maintenance services.

Scope: This applies to any and all maintenance type service requests.

Responsibilities:

Chief Financial Officer or the Chief Financial Officer's staff designee is responsible for review and approval of maintenance requests.

Background: MERF and/or its maintenance contractors has the responsibility to repair, make replacements and adjust equipment and buildings in response to conditions discovered during performance of preventive maintenance, equipment breakdown/improper operation or employee complaint. MERF and/or its maintenance contractors shall respond to and accomplish any request that is relevant to the successful operation of the Organization and its school and system locations.

Procedure:

1.0 MAINTENANCE REQUSTS

1.1 Maintenance requests will be reviewed and approved or disapproved by the Chief Financial Officer and/or the designated staff.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A113 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A113 ELECTRONIC BACKUP OF ACCOUNTING INFORMATION**

Policy: All electronic accounting information systems must be backed up every week at a minimum on the Organization's server.

Purpose: The purpose of this policy is to provide a clear explanation the need to backup electronic accounting data regularly.

Scope: This applies to the QuickBooks accounting program.

Responsibilities:

School Site Accountant is responsible for ensuring that the accounting program information is properly backed up.

Background: Electronic Accounting Information Backup means measures should be adopted that ensures that all electronic accounting data is properly backed up to secondary sources such as off-site web based services and/or other media to protect the Organization's information in the event of any form of electronic data loss.

Procedure:

1.0 ELECTRONIC BACKUP OF ACCOUNTING INFORMATION

1.1 The QuickBooks electronic accounting information should be backed up by using two means. On a weekly basis, the School Site Accountant should perform a QuickBooks backup of the data using the QuickBooks software procedure. This backup copy should be stored on the Organization computer server. The Organization computer server with the QuickBooks accounting file should be backed up weekly.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A114 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: G&A114 POLITICAL INTERVENTION

Policy: Consistent with its tax-exempt status under the Internal Revenue Code, it is the policy of MERF that the Organization shall not incur any expenditure for political intervention. Political intervention does not include lobbying activities, defined as the direct or indirect support or opposition for legislation, which is not prohibited under the Internal Revenue Code.

Purpose: The purpose of this policy is to provide a clear explanation of what the Organization may and may not be involved in with regards to politics.

Scope: All political activities of the Organization.

Responsibilities:

Chief Executive Officer is responsible for ensuring that the Organization is not seen as a political organization.

Background: The Organization is very well known and as such, political candidates may seek endorsements from MERF. This policy clarifies what MERF can and cannot do with regards to politics.

Definition: **Political Intervention** shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the Federal, California or local level.

Procedure:

1.0 PROHIBITED EXPENDITURES

1.1 Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees
2. Contributions to the campaigns of individual candidates for public office
3. Contributions to political parties
4. Expenditures to produce printed materials (including materials included in periodicals) that support or oppose candidates for public office
5. Expenditures for the placement of political advertisements in periodicals

MERF will comply with all Federal and State laws and regulations regarding political intervention, lobbying, etc. Federal funds and those assets paid for by this program may not be used in any partisan activity.

2.0 ENDORSEMENTS OF CANDIDATES

2.1 It is the policy of MERF not to endorse any candidate(s) for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of MERF, when these individuals are acting on behalf of, or are otherwise representing, MERF.

3.0 PROHIBITED USE OF ASSETS AND RESOURSCES

2.1 It is the policy of MERF that no assets or human resources of MERF shall be utilized for political activities, as defined above. This prohibition extends to the use of MERF assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of MERF. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on behalf of MERF), these individuals must at all times be aware that MERF resources cannot at any time be utilized in support of political activities except as identified in "1.0" above.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A115 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: G&A115 ACCRUED LIABILITIES

Policy: The Organization will establish a list of commonly incurred expenses that may require accrual at the end of the fiscal year accounting period.

Purpose: The purpose of this policy is to properly recognize and accrue liabilities.

Scope: This applies to potential liabilities.

Responsibilities:

The Financial Analysts with the support of EdTec are responsible for ensuring that the accrued liabilities are properly accounted for.

Background: Accrued liabilities are liabilities that have been incurred such as vacation pay but have not been paid.

Procedure:

1.0 Accrued Liabilities

1.1 Some of the expenses that shall be accrued by MERF at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Vacation pay/Compensated absences
- Rent
- Interest on notes payable
- Insurance premiums
- Audit fees
- Charter Management Organization fees

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	11/12/15	Inclusion of back-office service provider	Oswaldo Diaz, CFO

SOP # G&A116 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **G&A116 NOTES PAYABLE**

Policy: It is the policy of MERF to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements. This schedule shall be based on the underlying loan documents.

Purpose: The purpose of this policy is to properly track and recognize all notes payable and other similar obligations.

Scope: This applies to notes, loans, lines of credit, and obligations of the Organization.

Responsibilities:

EdTec is responsible for ensuring that all notes, loans, and other similar obligations are properly accounted for.

Background: Properly tracking and monitoring long term debt such as loans is important such that as payments become due, the Organization has sufficient cash flow to honor the obligation.

Procedure:

1.0 NOTES PAYABLE

1.1 Prepare a schedule that shall be based on the underlying loan documents and shall include all of the following information:

1. Name and address of lender
2. Date of agreement or renewal/extension
3. Total amount of debt or available credit
4. Amounts and dates borrowed
5. Description of collateral, if any
6. Interest rate
7. Repayment terms
8. Maturity date
9. Address to which payments should be sent
10. Contact person at lender
11. Loan covenants, if applicable

2.0 ACCOUNTING AND CLASSIFICATION

2.1 An amortization schedule shall be maintained for each note payable. Based upon the amortization schedule, the principal portion of payments due with the next year shall be classified as a current liability in the statements of financial position of MERF. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statements of financial position.

2.2 Demand notes and any other notes without established repayment dates shall always be classified as current liabilities.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

2.3 A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

3.0 NON-INTEREST-BEARING NOTES PAYABLE

3.1 As a charitable organization, MERF may from time to time receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, it shall be the policy of MERF to record contribution income for any unpaid interest.

3.2 For demand loans, recording of interest expense and contribution income shall be performed at the end of each accounting period, based on the outstanding principal balance of the loan during that period, multiplied by the difference between a normal interest rate for that type of loan and the rate, if any, that is required to be paid by MERF.

3.3 For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, which is required to be paid by MERF. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Changes in responsibilities	Oswaldo Diaz, CFO

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SOP # G&A117 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **G&A117 FINANCIAL AND TAX REPORTING**

Policy: The Organization will prepare annual and monthly financial statements as management considers necessary and prepare non-profit tax information and tax information returns within eight months of the fiscal year close.

Purpose: The purpose is to control and prepare consistent and accurate financial statements and tax returns that are relied upon by both internal and external parties.

Scope: This applies to financial statements and tax reporting documents.

Responsibilities:

Chief Financial Officer or his designee is responsible for preparing all tax documents and ensuring Organization financial statements are accurate.

EdTec is responsible for preparing all Organization financial statements.

Background: Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to MERF. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

Procedure:

1.0 STANDARD FINANCIAL STATEMENTS

1.1 Prepare the basic financial statements at year end and as considered necessary for reporting purposes. The basic financial statements of the Organization are maintained and prepared by MERF on an Organization wide basis and shall include:

1. **Statements of Financial Position** - reflects assets, liabilities and net assets of MERF and classifies assets and liabilities as current or non-current/long-term.

2. **Statements of Activities** - presents support, revenues, expenses, and other changes in net assets of MERF, by category of net asset (unrestricted, temporarily restricted and permanently restricted)

2.0 FREQUENCY OF PREPARATION

2.1 The objective of the EdTec is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

2.2 A standard set of financial statements described in the preceding section shall be produced on a bi-monthly basis for presentation at the Board of Directors meeting. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

1. Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
2. Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The bi-monthly set of financial statements shall be prepared on the cash basis of accounting with exception of year-end reports where accrual method of accounting must be used. Year-end report must include all receivables, accounts payable received by the end of the reporting period, and actual depreciation expense.

3.0 REVIEW AND DISTRIBUTION

3.1 All financial statements and supporting schedules shall be reviewed and approved by the Chief Financial Officer, prior to being issued by EdTec. They should be signed by the preparer and the Chief Executive Officer.

3.2 After approval by the Chief Financial Officer, a complete set of monthly financial statements shall, including the supplemental schedules described above, shall be distributed to the following individuals:

1. All members of the Finance and Audit Committee of the Board
2. Chief Executive Officer
3. School Principals and any other employee with budget-monitoring responsibilities will receive only the budget vs. actual report

3.3 Financial statements may include an additional supplemental schedule prepared or compiled by the Chief Financial Officer. The purpose of this schedule is to provide known explanations for material budget variances in accordance with MERF'S budget monitoring policies. Also included is a list which lists all invoices that have not been paid at the end of the year and all revenues, if any, that have not been received.

4.0 ANNUAL FINANCIAL STATEMENTS

4.1 A formal presentation of MERF’s annual financial statements shall be provided by the independent auditor to the full Board of Directors at MERF’s annual meeting. This presentation will be preceded by a meeting with MERF’s Finance and Audit Committee, at which the Finance and Audit Committee will vote to accept or reject the annual financial statements.

5.0 GOVERNMENT RETURNS

5.1 MERF must be aware of its tax and information return filing obligations and comply with all such requirements of the Federal government, California and local jurisdictions. Filing requirements of MERF include, but are not limited to, filing annual information returns with the Internal Revenue Service (IRS), California charitable solicitation reports, annual reports for corporations, property tax returns, income tax returns, information returns for retirement plans, annual reporting of compensation paid, and payroll withholding tax returns.

6.0 FILING OF RETURNS

6.1 It is the policy of MERF to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Chief Financial Officer shall be responsible for identifying all filing requirements and assuring that MERF is in compliance with all such requirements.

6.2 It is also the policy of MERF to file complete and accurate returns with all authorities. MERF shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

6.3 Reports and returns which may be required to be filed by MERF include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exemption of MERF, filed with IRS. Form 990 for MERF is due on the **fifteenth day of November, annually**.
2. **Form 990-T** – Annual tax return to report MERF’S unrelated trade or business activities (if any), filed with the IRS. Form 990-T is due on the **fifteenth day of November, annually**.
3. **Form 199** – Exempt Organization Annual Information Statement or Return (California) – This form is due on the **fifteenth day of November, annually**.
4. **Form 5500** - Annual return for MERF’S employee benefit plans. Form 5500 is due on the **fifteenth day of November, annually**.
5. **Federal and State Payroll Returns** - Filed on a quarterly or annual basis.

6. **Form RRF-1** – Registration/Renewal Fee Report to Attorney General of California. This form is due on the **fifteenth day of November, annually**.
7. **SF-SAC** – The Office of Management and Budget requires all Form SF-SAC and Single Audit submissions to be submitted on the Federal Audit Clearinghouse (FAC) Internet Data Entry System. The due date is established by OMB Circular A-133.
8. **Form 1099's** – See **PUR101 VENDOR SELECTION.**

6.4 MERF'S fiscal and tax year-end is June 30. All annual tax and information returns of MERF Form 990, Form 990-T are filed on the accrual basis of reporting.

6.5 Federal and all applicable California payroll tax returns are prepared by the Chief Financial Officer, in consultation with MERF'S independent auditor and the pension plan third-party administrator.

6.6 It is the policy of MERF to comply with all California payroll tax requirements by withholding and remitting payroll taxes to California for each MERF employee.

7.0 PUBLIC ACCESS TO INFORMATION RETURNS

7.1 Under regulations that became effective in 1999, MERF is subject to Federal requirements to make the following forms "widely available" to all members of the general public:

1. The three most recent annual information returns (Form 990), and

2. MERF'S original application for recognition of its tax-exempt status (Form 1023 or Form 1024), filed with IRS, and all accompanying schedules and attachments.

7.2 It is the policy of MERF to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of MERF during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Chief Financial Officer shall be responsible for maintaining this copy of each form and for making it available to all requesters.

2. For all written requests for copies of forms received by MERF, the Organization shall require pre-payment of all copying and shipping charges. For requests for copies that are received without pre-payment, MERF will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.

3. The copying cost charged by MERF for providing copies of requested forms shall be $1.00 for the first page copied and $0.20 for each subsequent page. All copies shall be shipped to requesters via Priority Mail, thus, shipping charges will be a standard $5.00 per shipment.

4. After payment is received by MERF, all requested copies should be shipped to requesters in accordance with applicable laws. Making of all copies and shipping within legal time period shall be the responsibility of the Accounting Department.

5. For requests for copies made in person during normal business hours, copies shall be provided while the requester waits provided the request is for twenty-five (25) or less copied pages. Requests for copies in excess of 25 pages but less than 100 pages will be available the next business day. All requests in excess of 100 pages will be sent to the requestor in accordance with applicable laws.

6. MERF shall accept certified checks and money orders for requests for copies made in person. MERF shall accept certified checks and money orders or personal checks as payment for copies of forms requested in writing. Personal checks must clear the bank prior to the copies being made and delivered to the requestor.

8.0 UNRELATED BUSINESS ACTIVITIES

8.1 Identification and Classification of unrelated business activities must be separately identified.

8.2 It is the policy of MERF to properly identify and classify income-producing activities that are unrelated to MERF's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income accounts shall be segregated in separate accounts in the general ledger of MERF in order to facilitate tracking and accumulation of unrelated trade or business activities.

8.3 It is the policy of MERF to file IRS Form 990-T to report taxable income from unrelated trade or business activities. Form 990-T is not subject to any public access or disclosure requirements. Accordingly, it is the policy of MERF not to distribute copies of Form 990-T to anyone other than management and the Board of Directors of MERF.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, CFO

SOP # G&A118 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: G&A118 BUDGETING

Policy: The School Site Principals with the support of EdTec are responsible for preparing, monitoring, and implementing the annual school site budget. The School Site Principal must have the school site budget approved by the Board of Directors no less than 60 days before the fiscal year end. It is the School Site Principal's responsibility to work with the central office in order to acquire the necessary budgetary information to implement their program. The budget may be revised as needed.

An annual Organization-wide budget shall be prepared on the accrual basis of accounting and the budget shall be adopted by the Board of Directors. The budget may be revised as needed. It is the policy of the Organization to adopt a final annual operating budget at least 60 days before the beginning of MERF's fiscal year.

Purpose: A budget is a management commitment of a plan for present and future MERF activities that will ensure survival. It provides an opportunity to examine the composition and viability of MERF's programs and activities simultaneously in light of all available resources

Scope: This applies to all departments and chart of accounts of the Organization.

Responsibilities:

Principal is responsible for providing information to EdTec so that the back-office service provider can prepare the annual site budget and make revisions as needed.

The Finance Department is responsible for reviewing the school site and Organization-wide budgets and budget revisions.

Edtec is responsible for preparing monthly budget vs. actual comparison reports.

Background: Budgeting is an integral part of managing MERF in that it is concerned with the translation of MERF's goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of the MERF's financial and human resources. A budget is a management commitment of a plan for present and future MERF activities that will ensure survival. It provides an opportunity to examine the composition and viability of MERF's programs and activities simultaneously in light of all available resources.

Procedure:

1.0 PREPARATION AND ADOPTION

1.1 The school site budgets will be developed by the School Site Principals and EdTec., The Organization-wide budget will be prepared by the Chief Financial Officer with the support of EdTec. They will gather proposed budget information from all School Site Accountants and others with budgetary responsibilities and prepare the first draft of the budget. Budgets proposed and submitted by each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

1.2 After appropriate revisions and a compilation of all school site budgets by EdTec, a draft of the school site budgets and Organization-wide budget will be presented to the Chief Financial Officer for discussion, revision, and preliminary approval. The Chief Executive Officer is responsible for the final approval of all budgets.

1.3 The final budget is then submitted by the Chief Financial Officer to the Board of Directors for adoption. School Site Principals shall be present at the Board of Directors budget approval meeting.

1.4 It is the policy of MERF to adopt a final annual operating budget at least 60 days before the beginning of the MERF's fiscal year. In addition, the Accounting Department must setup the new fiscal year accounts, to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts), to ensure proper classification of activities and comparison of budget versus actual once the new year commences.

2.0 MONITORING PERFORMANCE

2.1 MERF will monitor its financial performance by comparing and analyzing actual results with budgeted amounts. This function will be accomplished in conjunction with the monthly financial reporting process described earlier.

2.2 On a monthly basis, budget reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by EdTec and distributed to each respective School Principal by the 20th of the following month.

2.3 The financial reports will also be distributed, on a bi-monthly basis, to the Board of Directors. The Chief Financial Officer and School Site Principal, with the support of EdTec, will be responsible for answering budget questions posed at the Board meetings.

2.4 The Chief Financial Officer will also institute an on-going monitoring plan to ensure the fiscal operations effectively implement all Federal and State requirements and to ensure the safeguarding of Federal and State funds and assets.

3.0 BUDGET MODIFICATION

3.1 After a budget has been approved by the Board of Directors and adopted by MERF, reclassifications of budgeted expense amounts may be made by EdTec, with approval from the Chief Financial Officer.

3.2 Budget reclassifications of any amount are at the discretion of the Chief Financial Officer.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office provider process	Oswaldo Diaz, CFO

SOP # G&A119 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A119 INSURANCE**

Policy: It is the policy of the Organization to have an active risk management program that includes a comprehensive insurance package and to maintain adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, vehicles, machinery and other items of value.

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Purpose: To have a comprehensive insurance package and to maintain adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, vehicles, machinery and other items of value.

Scope: This applies to all areas of risk management.

Responsibilities:

Chief Financial Officer is responsible for monitoring risk management and identifying areas of insurance need.

Background: Risk management and insurance enable the Organization to hedge against known and unknown potential losses.

Definition: **Workers' Compensation and Employer's Liability**

Contractors are required to comply with applicable Federal and California workers' compensation and occupational hazard and disease statutes. If occupational hazard and diseases are not compensated under those statutes, they shall be covered under the employer's liability insurance policy.

Fidelity Bond

For all personnel handling cash, preparing or signing checks, MERF shall obtain insurance that provides coverage in a blanket fidelity bond. The specific needs of MERF will determine the dollar limit of this coverage.

Comprehensive Liability

This type of coverage may include directors, officers and employee general liability insurance, buildings, contents, computers, fine arts, boilers and machinery.

Student Accident Insurance
All children enrolled in any of MERF's funded programs must be insured for accidents and injury. The limit per child enrolled will be determined by local area experience rates and potential risk assessments.

Procedure:

1.0 COVERAGE GUIDELINES

1.1 As a guideline, MERF will arrange for the following types of insurance, as a minimum:

Type of Coverage

- Comprehensive Liability
- Automobiles for Employees,
- Volunteers or Escorts
- Employee dishonesty/bonding
- Fire and Water Damage
- Directors and Officers
- Theft
- Workers' Compensation
- Student Accident Insurance

1.2 The dollar limits are identified in the Insurance Booklet.

1.3 MERF shall maintain a file of all insurance policies in effect. This file shall include the following information, at a minimum:

1. Description (type of insurance)
2. Agent and insurance company, including all contact information
3. Coverage and deductibles
4. Premium amounts and frequency of payment
5. Policy effective dates
6. Date(s) premiums paid and check numbers

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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SOP # G&A120 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **G&A120 SUPPLIES**

Policy: It is the policy of the organization to maintain an internal control system over supplies to prevent theft, overstocking, understocking, spoilage and obsolescence.

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Purpose: To physically safeguard organization assets and to maintain accurate financial reporting.

Scope: This applies to non-capitalized assets.

Responsibilities:

School Principal or designee is responsible for maintaining safeguards over cleaning and education supplies at each school.

Procedure:

1.0 SAFEGUARDS

1.1 Each Principal or designee is responsible for monitoring safeguards over assets at each school site. School will properly safeguard supplies inventory by keeping storage and locker facilities locked.

1.2 **Cleaning/Maintenance Supplies.** The Custodian at each site is responsible for custody of cleaning and repair and maintenance supplies.

1.3 **Educational Supplies.** The Administrative Assistant or designee is responsible for custody of educational supplies. Only the Administrative Assistant and the School Principal will have access to educational supplies.

1.4 Educational supplies will be controlled in part by forms documenting custody, i.e. textbooks issued to students and use of laptops.

2.0 MONITORING

2.1 School will establish optimum minimum and maximum stock levels for inventory.

2.2 School Site Accountants will maintain records detailing purchases of each significant inventory item for each fiscal year.

2.3 School Principal or designee will conduct a physical inventory of the supplies listed above on an annual basis. The completed inventory will then be submitted to Accounting so it can be reconciled to the general ledger.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # G&A121 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **G&A121 SCHOOL SITE ACCOUNTING**

Policy: It is the policy of MERF to consider each school to be a separate and distinct financial accounting entity in order to maintain an accurate fund accounting system.

Purpose: The purpose of this policy is to clearly define relationships between each school and with the business office in regards to financial accounting.

Scope: This applies to the Organization's charter schools and business office.

Responsibilities:

EdTec, with the support of the Financial Analysts, is responsible for timely and accurate recording of transactions, providing useful management information, and properly reporting such information for various user needs.

The Chief Financial Officer is responsible for overseeing the Financial Analysts and providing assistance where needed.

Background: Separate accounting for each of the charter schools is critical in order to monitor budget performance and to determine how to allocate resources.

Procedure:

1.0 SEPARATE ACCOUNTING

1.1 EdTec will utilize the same accounting policies for each school they are responsible for. Consistency in accounting will ensure that the charter schools can be evaluated using the same benchmarks and will assist in evaluating performance.

1.2 Each Charter School will have its own accounting file to assist in maintaining separate accounting for each school, and a separate bank account to avoid comingling of funds.

2.0 FUNDRAISING

2.1 Fundraising generated from each school may not be transferred to another school.

2.2 Revenues from fundraising will be recorded in the accounting system using the resource tracking system in order to account for funds received from different events. Funds may be used for operating purposes unless restricted by the donor or explicitly restricted by the event.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office provider processes	Oswaldo Diaz, CFO

SOP # G&A122 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: G&A122 FRAUD REPORTING &WHISTLEBLOWER

Policy: To establish procedures for reporting concerns of fraud on a confidential basis; receipt, retention, and treatment of complaints received by the Organization regarding such concerns; and protection of anyone reporting fraud in good faith from retaliatory actions.

Purpose: It is the policy of the Organization that its operations are conducted according to the highest standard of integrity, and that its officers, directors, employees, consultants, volunteers, interns, vendors, and other agents observe high standards of business and personal ethics in the conduct of their duties and responsibilities. As employees and representatives of the Organization, all applicable laws and regulations must be followed, honesty and integrity must be practiced in fulfilling all responsibilities and all situations must be avoided that might conflict with responsibilities undertaken on behalf of the Organization. It is a federal crime for any organization – nonprofit or for-profit- to retaliate against a "whistleblower" who reports illegal, unacceptable, or suspicious activity ("Concerns"). This policy is intended to encourage and enable the reporting of Concerns within the Organization in order to prevent, detect and correct improper activities.

Scope: All officers, directors, employees, including temporary employees, consultants, volunteers, interns, vendors and other agents are covered by the scope of this policy and its guidelines.

Responsibilities:

Executive Management and Board of Directors are responsible for investigating any Concerns reported, and to ensure that the reporting person is protected from retaliation.

Background: The people closest to the day-to-day workings of an organization are the ones most qualified to identify and report improper activities. Experience has shown that these individuals will step forward if they are provided with a confidential means of reporting abuses and feel that they will be protected from retaliation, including loss of their job.

Procedure:

1.0 REPORTING RESPONSIBILITY

1.1 It is the responsibility of all those noted in the Scope of the Policy to report questionable or improper accounting or auditing matters or other Concerns as described above.

1.2 No officer, director, employee, including a temporary employee, consultant, volunteer, intern, vendor or other agent who reports a Concern in good faith shall be subject to retaliation or, in the case of an employee, adverse employment consequences. Any individual who retaliates against someone who has reported a Concern in good faith is subject to discipline up to and including dismissal from the volunteer position or termination of employment. Such conduct may also give rise to other actions, including civil lawsuits.

1.3 Reporting in good faith means that to the best of the individual's knowledge who is reporting a suspected fraud or abuse Concern, the fraud or abuse is factual.

1.4 An individual reporting a fraud or abuse Concern not in good faith is subject to discipline up to and including dismissal from the volunteer position or termination of employment. In other words, fraudulently submitting a fraud or abuse Concern/allegation is not acceptable.

2.0 PROCEDURES FOR REPORTING CONCERNS

2.1 **Employees and Consultants.** Whenever possible, an individual should seek to resolve Concerns by reporting issues directly to his supervisor. If, for any reason, the individual is uncomfortable speaking to his supervisor or does not believe the Concern is being properly addressed, the individual should report the Concern directly to the Chief Operating Officer of the Organization. If the individual does not believe that these channels of communication can or should be used to express his Concern, the individual should report the Concern directly to a member of the Organization's Board of Directors. Concerns may also be submitted anonymously in writing or via voice mail to a Board of Directors member. Contact information for the Chief Operating Officer and a listing of Board of Directors members may be obtained from the Organization's website or by calling the Organization at (714) 892-5066.

2.2 **Officers, Directors, Interns, Volunteers, Vendors and Other Agents.** Officers, directors, interns, volunteers, vendors and other agents may report Concerns to the Chief Executive Officer or directly to a member of the Organization's Board of Directors. If the officer, director, intern, volunteer, vendor or other agent is uncomfortable reporting to any of these individuals, or if he does not believe the Concern is being properly addressed, the report should be escalated directly to the Chair of the Organization's Board of Directors.

2.3 **Third Party Fraud Reporting Service.** An individual also has the option to report any Concerns through a service specifically set up for MERF. These can be reported through the website at www.magnoliapublicschools.org or by calling the central office. Concerns addressed through these channels can be made anonymously if the individual chooses.

3.0 HANDLING OF REPORTED CONCERNS

3.1 All reported Concerns filed in accordance with this policy will be investigated by the Organization with due care and promptness. Matters reported internally without initial resolution will be investigated by the Chief Executive Officer of the Organization to determine if the allegations are true, whether the issue is material and what actions, if any, are necessary to correct the problem. The Organization staff may issue a full report of all matters raised under this policy to the Board of Directors.

For matters reported directly to a member of the Board of Directors or the Chief Executive Officer, the Audit Committee shall promptly acknowledge receipt of the complaint to the complainant if the complainant is known. An investigation will be held to determine if the allegations are true, whether the issue is material and what corrective action, if any, is necessary. Upon the conclusion of this investigation, the Audit Committee shall promptly report its findings to the Executive Committee of the Board.

The Audit Committee shall have full authority to investigate Concerns raised in accordance with this policy and may retain outside legal counsel, accountants, private investigators, or any other resource that the committee reasonably believes is necessary to conduct a full and complete investigation of the allegations.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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SOP # CSH101 Revision: 1 **Prepared by:Central Office**

Effective Date: 2/14/1311/12/15 **Approved by: BOD**

Title: **CSH101 CASH BOXES**

Policy: Proper internal control should be maintained over funds received by cashiers or sales clerks of any type, even at fundraising events at all times.

Purpose: To identify the practices for cash box control, including cash receipts, special tender items, cash payouts and reconciliation with deposits.

Scope: All personnel that deal with the cash transactions.

Responsibilities:

Principal is responsible for safeguarding / verifying and controlling all cash assets at each school.

School Office Manager is responsible for ensuring the completeness and accuracy of all opening, closing and intermediate transactions.

School Office Manager is responsible for overseeing all event transactions.

Procedure:

1.0 CASH BOX/SAFE

1.1 Each fundraiser or individual collecting cash should collect cash for events and safeguard properly. Once all cash has been collected, this individual should submit the cash received to the School Office Manager as soon as possible for placement in the cash box. It is important to ensure that only one person has responsibility for collecting cash as to limit any opportunities for misappropriation.

1.2 All cash collected must be collected by the School Office Manager, counted together with the School Principal and one other person, and signed off by all three individuals that the cash count is accurate. The funds will then be safely secured until deposited by a designee of the School Office Manager.

1.3 If the cash balance at the end of day exceeds $1,000, a bank deposit will need to be made the same day. Otherwise, all bank deposits will need to be made by the last business day of the week. At the end of the week there should be no more than $50 left in the cash box for the following week.

1.4 Bank deposit documentation needs to be emailed to EdTec, in PDF format, for entry into the general ledger on a weekly basis.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, Chief Financial Officer

SOP # CSH102 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **CSH102 CASH RECEIPTS AND DEPOSITS**

Policy: Accurate internal control of cash receipts and deposits will be maintained at all times. Cash deposits will generally be made on the same day as receipt.

Purpose: To establish the procedures to be followed for receiving, applying and depositing cash receipts.

Scope: This procedure applies to all cash receipts received by the Organization.

Responsibilities:

School Site Accountant is responsible for processing all cash and check transactions and depositing checks received in the bank.

School Site Accountant is responsible for inspecting and verifying proper signatures or endorsements on checks.

School Principal/Office Manager is responsible for all fundraising transactions.

Definitions: Tender Item. Any item used to tender or pay for a transaction is considered a tender item. Tender items can include coupons, gift certificates, credits, rebates, cash, checks, barter credits, etc.

Procedure:

1.0 CUSTOMER AND AGENCY DEPOSITS

1.1 Cash receipts generally arise from:

- Contracts and Grants
- Direct donor contributions
- Fundraising activities

The principal steps in the cash receipts process are:

Central Office - The Receptionist receives incoming mail, opens, date stamps, and distributes the mail. The School Site Accountant stamps all checks “for deposit only,” and makes two (2) copies of each check. The checks are kept in a locked cabinet until ready for deposit.

Weekly (or more often if necessary), the School Site Accountant processes the following: the endorsed checks, the deposit log book, and the correct account allocation for each deposit. The School Site Accountant processes the deposit and takes it to the bank for deposit. A copy of the deposit slip is attached to the deposit. The deposits are put in a file to attach to the bank statement.

All cash received at the central office will be counted, verified, and signed off by two people from Accounting and another available staff member. The cash will immediately be posted using the appropriate allocation. A receipt will be given to the paying party and a copy kept for internal purposes. The cash will be kept in a locked, secure location and deposited within 24 business hours, but no longer than the last business day of the week.

School Site - The Receptionist receives incoming mail, opens, date stamps, and distributes the mail. The checks are kept in a locked cabinet until ready for deposit.

Weekly (or more often if necessary), the Principal, Office Manager, or designee will deposit the checks to the bank for deposit. The Principal, Office Manager, or designee will then send copies of the check(s) deposited and the original deposit slip receipt from the bank to the School Site Accountant for processing.

The School Site Accountant will process the deposit and enter into the accounting system. A copy of the deposit slip is attached to the deposit. The deposits are put in a file to attach to the bank statement.

2.0 APPLICATION OF ACCOUNTS RECEIVABLE

2.1 Inspect all incoming accounting mail for checks.

2.2 School Site Accountant should photocopy all checks. Any papers attached to the checks should be stapled to the check photocopy and the envelopes discarded.

2.3 School Site Accountant will use the photocopy of the checks and customer remittance advices to apply the cash payments to the Accounts Receivable Ledger if applicable. Unapplied payments are to be credited against the oldest open aging column on the accounts receivable ledger. A standard letter of information and/or inquiry should be sent or faxed to the payer when there is any question as to the correct application of the check.

2.4 Checks returned once should be deposited a second time. Already re-deposited checks should be debited back to the account.

2.5 Prepare all checks received for deposit.

3.0 DEPOSIT, ENDORSEMENT OF CHECKS, TIMELINES OF BANK DEPOSITS

3.1 The School Site Accountant will inspect all checks for proper signature or endorsement. If a check is received without a proper signature then process the check as per CSH103 PROBLEM CHECKS procedure.

3.2 All checks should be endorsed as follows:

a. With the restrictive endorsement "For Deposit Only" along with,

b. The Organization's designated bank deposit account number,

c. The name, “Magnolia Education and Research Foundation”,

d. The bank name.

3.3 No check should be withheld from daily deposit unless it is legally imperfect. The endorsed checks should then be returned to the accounting department. Bank deposits will be made on a daily basis, unless the total cash amount received for deposit is less than $1,000. Receipts must be deposited no later than the Friday of the week it was received. Any cash not deposited on a daily basis will be kept in a locked fireproof cabinet with access limited to the Chief Financial Officer, and the Finance Manager.

3.4 At time of deposit, collect all cash and checks and prepare a bank deposit slip for deposit in the Organization's authorized bank. Ensure that collections are deposited into the correct bank account, and that the name of the charter school is listed on the deposit slip.

3.5 Place a duplicate copy of the deposit ticket and collected cash into a cash bag for transport to the bank. Deposits should be made no less frequently than daily if amount of cash exceeds $1,000. If the deposit cannot be made immediately then the deposits should be stored in a secure area for later deposit.

3.6 Extreme care should be taken to protect the safety of the person making the deposit and the deposit itself. Actions to be considered are, making deposits only during daylight hours, using random deposit times and different routes to the bank, and assigning two people to make deposits.

3.7 The deposit amount should be entered into the accounting program.

3.8 No disbursements should be made from collections, nor can personal checks be cashed.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # CSH103 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: CSH103 PROBLEM CHECKS

Problem: To save time in returning and following-up on unsigned, checks marked "payment in full", or returned by the bank. These checks should be processed as follows and deposited.

Purpose: To describe how these types of checks should be handled before depositing.

Scope: This procedure applies to all checks received by the Organization.

Responsibilities:

EdTec is responsible for processing all check transactions for each school.

Definitions: NSF. Non-Sufficient Funds or NSF checks are those that are returned from the bank because the balance in the checking account was not high enough to cover the check. The check is then stamped NSF or "insufficient funds", "uncollected funds", or maybe "account closed".

Procedure:

1.0 UNSIGNED CHECKS

1.1 The word "over" should be typed or written on the line where the signature would normally appear. On the back, type "Lack of Signature Guaranteed" and then add the Organization name, manager's name, title and signature.

Note: This indicates to the bank that the Organization will take back the check as a charge against its account in the event it isn't honored. In the event the check is not honored, the Office Manager should immediately follow-up with the issuer.

1.2 Continue processing the check.

2.0 PARTIAL PAYMENT CHECKS MARKED "PAYMENT IN FULL"

2.1 If there's no dispute as to the amount, a check tendered for less than the amount due and marked "payment in full" (or similar wording) can be cashed without jeopardizing the right to recover the balance. However, if there's a bona fide dispute as to the amount owing, the Organization runs the risk that payment will be deemed to have settled the disputed claim for the lesser amount.

2.2 To overcome any potential pitfall, the check should be endorsed with the following statement "Check is accepted without prejudice and with full reservation of all rights under section 1-207 of the UNIFORM COMMERCIAL CODE (see Reference A).

2.3 Continue processing the check as per procedure CSH102 CASH RECEIPTS AND DEPOSITS.

2.4 The Office Manager should then work with the customer to resolve collection of the remaining balance due.

3.0 RETURNED CHECKS

3.1 A returned check for less than $100 or stamped "uncollected funds," should be re-deposited the following day, if the check is not already stamped, "Do Not Re-Deposit".

3.2 For returned checks in amounts greater than $100, the bank that the check is drawn against should be telephoned to determine if the check amount will clear the customer's account. If sufficient funds exist the check should be re-deposited. If the check is very large, consider taking the check directly to the issuing bank for recovery.

Note: The customer's account number should be the second number series located at the bottom center of the check.

4.0 REDEPOSITED CHECKS

4.1 In the event a re-deposited check is returned or if sufficient funds do not exist to cover the check, the Office Manager should contact the issuer by phone to report the problem and discuss how the matter will be resolved. Then issue a formal notice CSH103 Ex1 BAD CHECK NOTICE via certified mail with a return receipt requested to ensure the customer understands the seriousness of the issue.

4.2 Whenever a check is re-deposited more than once a handling fee should be considered.

References:

A. UNIFORM COMMERCAL CODE (UCC)

The "Uniform Commercial Code" or UCC began as a model for each state legislature to modify and adopt as law in that state. Therefore, the UCC is not the same in every state. Each state's court system can interpret the UCC differently thereby creating different case law in that state and producing different results. Business people cannot assume that the law will be exactly the same in each state. For more information see the Secretary of State for each State in question.

B. BAD CHECK LAW

Bad Checks are considered part of the UCC and therefore are a matter of state law enforcement. Section 3-104(2)(b) of the UCC, defines a check as "a draft drawn on a bank and payable on demand." Each state has a different “Bad Check Law” see UCC above.

Postdated check: since it is not payable on demand, most states believe that the giving of a post-dated check does not constitute a present fraud nor is it within the scope of the bad check laws.

Payments for COD or pre-existing debt: In most cases, NSF checks are not considered under the bad check law if they are used to pay a note payment or to pay an invoice that is on account. However, if the debtor provides a creditor with a NSF check for a COD order, then that act does fall within the bad check laws.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office provider process	Oswaldo Diaz, Chief Financial Officer

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CSH103 Ex1 BAD CHECK NOTICE

Date:

CUSTOMER NAME
ADDRESS
CITY, STATE, ZIP

Dear Sir:

Payment on your Check No. ______ in the amount of $___________, presented to us on, {DAY MONTH YEAR} , has been returned by your bank and marked insufficient funds. We have re-deposited your check and attempted to collect on this check twice already.

We have verified with your bank that insufficient funds remain to clear this check. Therefore, we request that you replace this check with a certified check immediately.

Unless we receive the certified funds for the amount listed above within 15 days, we shall immediately begin appropriate legal action to protect our interest. Upon receipt of replacement funds we shall return the dishonored check.

Sincerely,

Office Manager
MAGNOLIA EDUCATION AND RESEARCH FOUNDATION

Certified Mail, Return Receipt Requested.

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SOP # CSH104 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: CSH104 WIRE TRANSFERS

Policy: To provide additional payment options to customers and vendors in order to make funds immediately available to the receiving party. Wire transfers should be treated with special care and accuracy to prevent loss to the Organization or the customer.

Purpose: To explain the steps necessary to ensure proper procedures are followed when processing wire transfer requests.

Scope: This procedure applies to customers who are sending or receiving wire transfers and the financial institutions which process these requests.

Responsibilities:

Chief Financial Officer is responsible for initiating all outgoing wire transfer requests.

Chief Executive Officer should approve all wire transfers regardless of amount.

School Site Accountant is responsible for processing all incoming wire transfers.

Definitions: ABA The American Bankers Association or ABA number is a unique routing identification code is issued to a Federal or State chartered financial institution which is eligible to maintain an account at a US Federal Reserve Bank. The ABA Routing Number (a.k.a. ABA number; Routing Transit number) is used to identify participants in automated clearinghouses, electronic funds transfer, and on-line banking.

Procedure:

1.0 INCOMING WIRES

1.1 Wire transfers are processed the same as a check in accordance with the CSH102 CASH RECEIPTS AND DEPOSITS procedure.

1.2 Upon the banks receipt of the wire transfer the bank may create a wire transfer notification. Normally these are mailed but many banks may also provide notification via e-mail, phone, fax, or via an on-line banking interface. The bank notification serves as documentation the the money has been received.

2.0 OUTGOING WIRES

2.1 The Chief Financial Officer will initiate wire transfers as necessary. This will take place on the secured website maintained by the Organization’s bank. Chief Executive Officer must approve all wire transfers by logging into the bank’s secured website and approving the transfer. Wire transfers cannot be made without this secondary authorization.

2.2 Wire transfers should originate from a checking account. Reference A - FRB Reg D. - establishes limits on transfers from savings or money market accounts but there are no limits on transfers from checking accounts.

References:

A. FRB REG D: RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS

Defines consumer depository accounts (e.g., checking, savings, money market, CDs, transactions etc.) and the rules governing those accounts. This law also requires that financial institutions keep a minimum amount of reserve deposits either as vault cash or with the Federal Reserve.

The Federal Reserve Board's Regulation D limits the number of certain withdrawals and transfers from savings accounts. All financial institutions are subject to this regulation. Examples savings accounts affected by this regulation include: Regular Savings and Money Market accounts. Transactions on Checking accounts are not limited.

Regulation D, allows up to six (6) preauthorized or automatic withdrawals or transfers to another account at the same financial institutions or to a third party during a calendar month. There may be no more than three (3) of these six (6) transfers by check, debit card, or similar order, clearing an account. A "preauthorized transfer" includes arrangement the credit union make either to pay a third party, one time, on written or verbal instruction, or to pay a third party on a fixed schedule, (i.e. bill payer, ACH authorizations).

B. FRB REG E: ELECTRONIC FUND TRANSFER ACT

Establishes the rights, liabilities and responsibilities of all parties involved in electronic fund transfers and protects consumers when they use such systems. Examples of these transactions include those at automated teller machines, telephone bill-payment plans, point-of-sale purchases and pre-authorized transfers to and from a consumer's account (such as direct deposit and regular utility and mortgage payments).

Regulation E prescribes rules for the solicitation and issuance of EFT cards; governs consumers' liability for unauthorized electronic fund transfers (resulting, for example, from lost or stolen cards); requires institutions to disclose certain terms and conditions of EFT services; provides for documentation of electronic transfers (on periodic statements, for example)- sets up a resolution procedure for errors; and covers notice of crediting and stoppage of preauthorized payments from a customer's account.

Stored-value cards (also known as "smart cards") and home banking by personal computer would be subject to Regulation E because the act governs electronic fund transfers.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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SOP # CSH105 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: **CSH105 CHECK SIGNING AUTHORITY**

Policy: A limited number of employees will be authorized to sign checks but there shall be no fewer than three individuals at all times.

Purpose: To outline the check signing authority process.

Background: While a hired accountant, office manager, or accounting clerk may be responsible for entering bills, paying bills, and printing out checks, all printed checks and related documentation should be presented to a second individual for signing. No one person or employee should be allowed to enter invoices, select invoices for payment, then print and sign checks. At a minimum, this process requires at least two individuals to ensure the integrity of the accounting system remains intact.

Scope: This procedure applies to all regular bank checking accounts of the Organization.

Responsibilities:

Chief Executive Officer is responsible for adding and removing check signing authority.

Chief Financial Officer is responsible for managing the check signing authority process and alerting all individuals and banks of any changes to authority.

Procedure:

1.0 AUTHORIZED CHECK SIGNERS

1.1 The Board of Directors and the Chief Executive Officer should approve authorized check signers in writing. All approvals should be forwarded to the Chief Financial Officer for processing.

1.2 The Chief Executive Officer and Chief Financial Officer should have check signing authority. Additional individuals with or without dollar limitations may be authorized as necessary.

1.3 For back-up purposes, it is advisable to have at least three check signers authorized for each checking account. One should be the Chief Financial Officer or primary signer and the other should be the Chief Executive Officer or secondary check signer. The third should be a back-up signer. The back-up signer should be a trusted individual but not necessarily an employee. It could be a board member or another principle in the Organization. A back-up signer will ensure continuing operations in case both the primary and secondary signers become incapacitated for any period of time.

1.4 If the check signer also authorizes purchase orders, their access to the QuickBooks accounting system should be limited to “read” access as to maintain proper segregation of duties.

2.0 CHANGING CHECK SIGNERS

2.1 The Chief Financial Officer receives all approval paperwork and should prepare and maintain a file record of all authorized check signers and CSH105 Ex1 CHECK SIGNING AUTHORITY LOG.

2.2 The CHECK SIGNING AUTHORITY LOG should be kept current of all individuals and their status to sign checks as soon as their status changes. The log should contain the following information:

- Recipient name / position or title
- Authority start date
- Authority end date
- Maximum expenditure authority level

2.2 Contact the bank that administers the checking account for details on adding, changing, or removing check signers from a checking account. Normally this is a simple process of presenting identification and signing a card to be placed on file at the bank.

Banks maintain an authorized check signer’s card for each checking account. Only those individuals listed on the authorized check signer’s card may sign checks.

2.3 The Chief Executive Officer or the Board of Directors may revoke check signing authority. Any person who is no longer entitled to sign Organization checks will be notified in writing. The Chief Financial Officer will oversee the proper notification of the Organization's banks whenever authorized signature changes are made.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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CSH105 Ex1 CHECK SIGNING AUTHORITY LOG

RECIPIENT NAME/TITLE	START DATE	END DATE	AUTHORITY LEVEL (maximum Dollar)

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SOP # CSH106 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: CSH106 CHECK MATTERS

Policy: To ensure efficient processing and record keeping all check matters will need to be handled and documented appropriately.

Purpose: To describe the process for matters relating to checks.

Scope: All checks.

Responsibilities:

Chief Financial Officer or School Site Accountant is responsible for managing other check matters.

Procedure:

1.0 CHECK ORIGINATION

1.1 The Organization does not permit the use of manual checks.

1.2 In no instance can the payee of a check be made to “Cash”. Checks can only be processed through QuickBooks and cannot be handwritten.

2.0 CHECK STOP PAYMENT

2.1 It is important to place the stop payment information on the account as quickly as possible to prevent losses. The following information should be obtained and recorded on the bank’s Stop Payment Form or address online:

- Requester’s name and department
- Account number
- Check number
- Date of the check
- Who the check is made payable to
- Amount of the check
- Reason for the stop payment

2.2 The stop payment information above should be forwarded to the School Site Accountant or Chief Financial Officer who will contact the bank to put a stop on the check.

2.3 An authorized check signer may need to sign the bank’s Stop Payment Form or address online, typically within ten business days. Normally, stop payments are placed on the account for approximately six months.

2.4 To release the stop payment, an authorized check signer may need to contact the bank and sign a release. Note: signing the release allows the check to be paid.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

SOP # CSH107 Revision: 0 **Prepared by:Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: CSH107 BANK ACCOUNT RECONCILIATIONS

Policy: To ensure the accuracy of the Organization's bank account records by proving the monthly balance shown in the bank's Account Register.

Purpose: To outline the practices for preparation of a Monthly Bank Reconciliation

Scope: This applies to all bank accounts maintained by the Organization.

Responsibilities:

Chief Executive Officer or designee is responsible for review and approval of all reconciliations.

School Site Accountant is responsible for reconciling each site's respective checking account.

Background: Errors or omissions can be made to the Organization's bank account records due to the many cash transactions that occur. Therefore, it is necessary to prove the monthly balance shown in the bank account register. Cash on deposit with a bank is not available for count and is therefore proved through the preparation of a reconciliation of the Organization's record of cash in the bank and the bank's record of the Organization's cash that is on deposit.

Definitions: Batch. All of the day's credit card transactions are collected into a "batch" of transactions. The batch is closed, usually at the end of the day, and the result is submitted to the merchant processor as a single "batch".

Settlement**.** The processor clears the credit card transactions in the batch and the result is "settled" to the designated bank account. Settlement varies by Credit Card organization but usually occurs in 2-3 days after a batch is closed.

Processor. The processor is responsible for authorizing credit card transactions and settling each batch. The processor is also the Organization that one must interface with on all discrepancies or "chargebacks".

Chargebacks. A chargeback occurs when a customer (cardholder) disputes a charge that appears on their monthly credit card statement. If the dispute is unable to be resolved then the transaction is charged back to the merchant. The processor charges the merchant and returns the cardholder's money.

Procedure:

1.0 BANK STATEMENT PREPARATION

1.1 After receipt of the monthly bank statement and/or online printing of the monthly bank statement, including cleared checks, deposit slips and any other transactions; the School Site Accountant should prepare the monthly bank reconciliation by the 20th of the following month. After preparation the bank reconciliation will be carefully reviewed by the Chief Executive Officer or its designee. The Chief Executive Officer review is especially important. To preserve proper segregation of duties, no single employee, should perform both cash transaction functions and bank account reconciliations.

1.2 Prior to preparing the bank reconciliation, the School Site Accountant should review the bank statement for any interest credits, bank charges and other fees. These should all be posted to the checking account before reconciling. Note: some accounting systems allow for the entry of interest credits, bank charges and other fees during the reconciliation process.

2.0 COMPUTERIZED FORMAT

2.1 In the computerized environment, the accounting system may provide an automated bank reconciliation task. This task is generally selected once a month in conjunction with receiving the month end bank statement and/or online printout of the month end bank statement. Once selected, the screen shows a list of all items that have been posted to the cash account and that have not been cleared from the previous month's account reconciliation. The screen is usually divided into two segments: one half is a list of all checks and other charges reducing cash, and the other half is a list of all deposits and other items increasing cash. This screen would also have a field for entering the proper month end date and the balance at month end, per the bank.

2.2 After the account-reconciling task is successfully completed, a report is provided which shows the reconciliation process, including outstanding checks and deposits in transit.

2.3 The bank reconciliation should be signed by the Chief Executive Officer and the School Site Accountant.

Note: Print out the full (not a summary) report, staple it to the applicable bank statement, and file the result as an important control feature. This will document that the bank statement has been successfully reconciled.

3.0 MANUAL PREPARATION AND RECONCILING ITEMS

3.1 A monthly bank reconciliation starts with the ending bank statement balance. List any deposits in transit that were made but were not yet recorded by the bank and add to the bank balance. Then, list any checks that were written on the account prior to month-end, but which have not yet cleared the bank and deducted from the bank balance. The ending balance should agree with the balance "per books", i.e.: the balance recorded in the checking account.

3.2 Now perform the same process with the monthly reconciliation of the ending balance per the Organization's books.

Total deposits and total disbursements should be reconciled to the bank statement, then adjustments such as any interest or any other bank credit items should be listed and added to the balance. Then, any bank charges, transfer fees, etc. should be listed and deducted from the balance.

From these steps, the "corrected" ending “book” balance is derived and should equal the "corrected" bank balance from the previous step.

3.3 Any discrepancies between the derived balance and the checkbook balance will require research to determine the cause, such as recording errors, omissions, incorrect postings, etc. In some cases, the discrepancy can be caused by not accurately entering all bank generated credits and charges; such as fees, interest, etc. If the balances still do not equal, the bank statement should be carefully reviewed for possible errors; such as, checks or deposits clearing for amounts that do not agree with those posted to the store's checking account.

4.0 COMPUTERIZED PREPARATION AND RECONCILING ITEMS

4.1 The same procedures as the manual tasks described above are followed in a computerized environment. The primary difference is in the ease of preparation. All transactions, which were not already cleared in the prior month’s reconciliation, are listed.

4.2 Start by checking or clicking off with the mouse or keyboard those transactions, (mainly checks and other debit memos, and deposits and other credit memos) that agree with the bank statement. Once all bank statement items have been found and clicked off on the screen, the remaining "un-cleared" entries on the screen are, in effect, the list of outstanding checks and deposits in transit.

Furthermore, the screen typically provides a continually updating reconciled cash amount that should agree to the ending bank balance amount once all items are correctly accounted for and cleared. Usually the accounting system does the math and the screen displays both the ending bank balance and the reconciled cash amount with the remaining difference, if any.

4.3 Investigate all differences and enter any adjustments to the reconciliation or post to the cash account in order to ensure an accurate bank balance.

5.0 ADJUSTMENTS AND OTHER TROUBLESHOOTING

5.1 In spite of the best of efforts, the reconciliation result may not agree with the bank balance. The obvious first step is to make sure that all checks and deposits on the bank statement agree with the entries in the cash account. Discrepancies of this type are usually rare in computerized environments but may be caused by improperly recording manual checks or credit card deposits and fees.

Checks are generally posted and printed simultaneously so that what shows up in the accounting system will always agree to what was processed through the bank. Deposits are another matter. The bank might group deposited checks differently than they were in the accounting system.

To simplify the month end reconciliation, receipts should be batched in a total deposit amount that agrees to both the accounting system and the bank. Make sure to print a totaled deposit report when daily receipts of checks and cash are batched for deposit. After making the bank deposit, staple the validated bank deposit slip to the deposit report. This will document the two events: 1) what was deposited per the accounting system, and 2) what was actually deposited in the bank. These two amounts must agree. This helps eliminate deposit errors for check and cash receipts. Deposits should be recorded via the QuickBooks deposit process unless authorization has been obtained to record as a journal entry.

5.2 After reconciling checks and deposits, the next area to reconcile are bank generated Credit and Debit memos. These can result from various events including, returned checks, returned check charges, monthly bank activity charges, credit card merchant fees, charges from the use of debit cards, interest income and other service charges. The Chief Executive Officer may not know many of these until the bank statement is received. Each one of these entries must be entered and distributed to the proper income or expense account. Whatever the accounting system, its reconciling program usually provides a routine for entering these "end of month" bank credits and charges.

5.3 After agreeing all checks and deposits and entering all other bank credits and charges, the balance per accounting system and reconciled bank balance should agree. Any remaining difference must be investigated. If there is no other explanation, an adjustment should be made. This would be entered as a bank charge or credit and posted to a miscellaneous account.

5.5 Any outstanding checks or deposits in transit over six months old should be reviewed for disposition including write-off by a journal entry.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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CSH107 Ex1 SAMPLE
BANK AND BOOK BALANCES
RECONCILIATION TO CORRECTED BALANCE

Account No.________________
For Month Ended XX/XX/XX

Reconciliation of Bank Balance		
Ending balance per bank statement		$10,000.00
Additions:		
Deposit in transit		2,500.00
Deductions:		
Outstanding Checks		
# 1003	150.00	
# 1232	325.00	
# 1235	1,275.00	
		1,750.00
Ending balance per checking account		$10,750.00
Reconciliation of Book Balance		
Ending balance per books		$10,750.00
Additions:		
Interest		100.00
Deductions:		
Bank Charges	70.00	
Wire transfer fees	30.00	
		100.00
Corrected Balance		$10,750.00

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SOP # CSH108 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: CSH108 INTER-ACCOUNT BANK TRANSFERS

Policy: To ensure the accuracy of the Organization’s bank account records by proving documentation of bank transfers.

Purpose: To outline the practices for preparation of an inter-account bank transfer

Scope: This applies to all bank accounts maintained by the Organization.

Responsibilities:

Chief Executive Officer is responsible for review and approval of all inter-account bank transfers

Chief Financial Officer is responsible for performing all inter-account bank transfers.

Background: Errors or omissions can be made to the Organization's bank account records due to the many cash transactions that occur. Therefore, it is necessary to authorize all inter-account bank transfers.

Procedure:

1.0 INTER-ACCOUNT BANK TRANSFER

1.1 EdTec monitors the balances in the bank accounts to determine when there is a shortage or excess in the checking account. EdTec recommends to the Chief Financial Officer when a transfer should be made to maximize the potential for earning interest or when funds are needed for processing payroll or other transfer needed. The Chief Financial Officer will determine when to make a transfer and in what amount. After the transfer has been initiated by the Chief Financial Officer, the Chief Executive Officer must log into the online banking system in order to complete the bank transfer process. A copy of the transfer is given to EdTec.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, Chief Financial Officer

SOP # CSH109 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: CSH109 JOURNAL ENTRIES AND RECLASSIFICATION ENTRIES

Policy: To ensure the accuracy of the Organization's books and records by proving documentation of journal entries and reclassification entries. All journal entries shall be authorized in writing by the Finance Manager initialing or signing the entries.

Purpose: To outline the practices for preparation of journal entries and reclassification entries.

Scope: This applies to all accounting transactions performed by the Organization.

Responsibilities:

The Chief Financial Officer is responsible for review and approval of all journal entries and reclassification entries.

EdTec is responsible for performing all journal entries and reclassification entries

Background: Journal entries can directly affect the presentation of financial statements. Therefore, it is necessary to authorize all journal and reclassification entries.

Procedure:

1.0 JOURNAL ENTRIES AND RECLASSIFICATION ENTRIES

1.1 The Chief Financial Officer the Financial Analysts and EdTec monitor the balances in the accounting records of the Organization.

All general ledger entries including audit adjusting entries, reclassification entries, or other such journal entries shall be supported by journal vouchers or other documentation, which shall include a reasonable explanation of each entry. Examples of such journal entries include:

1. Recording of noncash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses

3. Accruals of recurring expenses
4. Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

It is the policy of MERF that all journal entries not originating from subsidiary ledgers shall be authorized in writing by the Chief Financial Officer initialing or signing the entries.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Revision of responsibilities	Oswaldo Diaz, Chief Financial Officer

SOP # CSH110 Revision: 1 **Prepared by:Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: CSH110 PETTY CASH PURCHASES

Policy: The Organization does not permit the use of petty cash.
Scope: This applies to all petty cash transactions.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Removal of petty cash use	Oswaldo Diaz, Chief Financial Officer

SOP # CSH111 Revision: 2 **Prepared by: Central Office**
Effective Date: 8/1/16 **Approved by: BOD**

Title: CSH111 CREDIT CARDS AND DEBIT CARDS

Policy: It is the policy of the Organization to provide credit cards to authorized members of the Organization staff in the performance of their duties and responsibilities. The Organization does not permit the use of debit cards. The use of credit is the same as handling cash; every precaution must be taken to account for all funds, whether Federal, State or otherwise, and the most efficient and effective purchasing procedures as well as internal controls will be implemented to safeguard Organization funds.

Purpose: To be able to use credit cards in a controlled manner that allows for purchases such as travel and where a check and/or purchase order is not accepted.

Scope: This applies to transactions at the discretion of the School Principal, Chief Executive Officer and Chief Financial Officer.

Responsibilities:

School Principal is responsible for authorization of credit card transactions up to $5,000 in accordance with the approved budget.

Chief External Officer, Regional Directors and Chief Financial Officer are responsible for authorization of credit card transactions up to $10,000 and over, using documented approval, not to exceed the current limits established by procedure number PUR104 Accounts Payable and Cash Disbursements.

Chief Executive Officer is responsible for authorization of credit card transactions up to $25,000, using documented approval, not to exceed the current limits established by procedure number PUR104 Accounts Payable and Cash Disbursements.

Accounts Payable Specialist and EdTec are responsible for recording the transactions in the accounting records and reconciling credit card receipts to the credit card statements in accordance with CSH107 Bank Reconciliations.

Background: On occasion, the Chief Executive Officer and other senior management may not be in the position to carry a lot of cash or may need to use a credit card for purposes of travel arrangements. Under these circumstances and as considered necessary by Organization management, credit card transactions are acceptable.

Procedure:

1.0 CREDIT CARDS

1.1 <u>Issuance of Corporate Credit Cards</u>

Corporate credit cards are issued to personnel who travel on Organization business or have a legitimate need to purchase goods and services, either in person or on-line or when a purchase order cannot be approved in time or a purchase order is not accepted by a vendor. These cardholders will be required to sign a statement (CSH111 Ex1 Use of Credit Cards and Debit Cards Certification) acknowledging that the card shall be used exclusively for legitimate Organization-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and the Organization.

Cardholders, while working with other Organization staff, must plan activities and travel requests with sufficient time in order to avoid the use of credit cards. Cardholders abusing this privilege may have the card revoked if it is determined that sufficient time was available in order to request and receive approval for a purchase order.

When using the credit card for internet purchases, cardholders should ensure that the site utilizes industry recognized encryption transmission tools.

All corporate credit cards will be issued from the same vendor to enhance the purchasing power of the credit card and to provide for efficient on-going monitoring of all purchases made with the credit card(s).

1.2 <u>Cardholder Responsibilities</u>

Every month, each cardholder will be provided with a statement detailing the expenditures that were charged to his/her corporate credit card. The cardholders will submit all receipts for purchases of goods and services to the Finance Department <u>within seven (7) days</u> attached to the debit/credit card monthly statement after making any purchase. All documents will be initialed by the cardholder. In any instance of a missing receipt, payment will be the responsibility of the cardholder.

Should the Accounts Payable Specialist identify any inadvertent personal or unauthorized uses of the card, the card statement as well as all backup documentation will be forwarded to the Chief Financial Officer, for review.

The Chief Financial Officer, will discuss with the cardholder any charges of concern and the card member will be required to reimburse the Organization immediately for any such inadvertent personal charges or unauthorized charges.

Excessive inadvertent personal charges will be grounds for revoking credit card privileges. Personal use of corporate credit cards is strictly prohibited. Any personal use will subject the employee to the Organization's disciplinary actions.

Any fraudulent or other unauthorized charges shall be immediately pointed out to the Chief Financial Officer, for further investigation with the credit card provider and at the discretion of the Chief Financial Officer may be required to be reimbursed by the individual cardholder who purchased the unauthorized transaction.

The Organization requires the following review and approval procedures:

- The cardholder will review the card statement to ensure only their own approved charges are listed on the statement. Any charges not made by the cardholder will be identified and discussed with the Accounts Payable Specialist.
- The Chief Financial Officer will approve credit card usage by the Principals, and the Chief Executive Officer will approve credit card usage by the Chief Financial Officer, and the Board of Directors Chairperson will approve credit card usage by the Chief Executive Officer.
- The Accounts Payable Specialist will review all charges on the card statement against all purchase documents submitted by the cardholder.
- The Chief Financial Officer, will review charges and supporting documentation prior to the monthly card statement being approved and included for payment.

Cardholders shall report the loss or theft of a corporate credit card immediately by notifying the credit card company (24 hours a day, seven days a week) as well as the Chief Financial Officer. In the event of theft of the card, a police report will be filed by the cardholder and a copy of the report will be maintained for insurance purposes.

1.3 **Revocation of Corporate Credit Cards**

Failure to comply with any of these policies associated with the use of the Organization's corporate credit cards shall be subject to possible revocation of credit card privileges. The Chief Financial Officer, with the approval of the Chief Executive Officer or Board Chairperson, shall determine whether credit cards are to be revoked.

1.4 **On-going Monitoring of Corporate Credit Cards**

The Organization will implement continuous on-going monitoring of the use of corporate credit cards to ensure only authorized expenditures are made with the credit cards. Credit card usage must follow the same criteria as all other purchases; i.e., allowable, reasonable, necessary, and allocable, where required.

In addition, the Board of Directors may, from time to time, authorize unannounced monitoring of the use of corporate credit cards.

Corporate credit cards will be assigned only to the Chief Executive Officer, Chief External Officer and Principals and all charges to that assigned card will be the responsibility of that employee. Employees authorizing the use of the credit card by other Organization employees, parents or friends, will be subject to disciplinary action.

1.5 Employee Personal Credit Cards

With prior approval from the Chief Executive Officer and/or Chief Financial Officer, the Organization employees may incur legitimate Organization business expenses utilizing their personal credit cards for such expenditures. The Organization shall reimburse employees according to Organization reimbursement policy (PUR106 Reimbursements).

2.0 DEBIT CARDS

2.1 Debit Card Policy

The organization does not permit the use of debit cards.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**2/13/15**	Revision of credit and debit card limits and controls	Oswaldo Diaz, CFO
2	**7/21/16**	Revision of credit card limits and controls	Oswaldo Diaz, CFO

CSH111 Ex1 USE OF CREDIT CARDS AND DEBIT CARDS CERTIFICATION

Certification of receipt of the Organization Policy and Procedures on the “Use of Credit and Debit Cards”:

I, ____, hereby certify that I have received
(Print name of employee) (Position)
and understand the above-stated policy and procedures and I will comply with those procedures. Failure to comply with the procedures may subject me to disciplinary action as outlined in the Organization Human Resources Policies and Procedures Manual.

____ __________________________
Signature of Employee Date

____ __________________________
Chief Executive Officer Date

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SOP # CSH112 Revision: 1 **Prepared by:Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: CSH112 INTERCOMPANY RECEIVABLES AND PAYABLES (DUE TO/DUE FROM)

Policy: To ensure that intercompany transactions between individual charter schools and the central office are processed correctly

Purpose: To outline the practices for intercompany transactions between individual charter schools and the central office

Scope: This applies to all charter schools operated by the Organization.

Responsibilities:

Chief Financial Officer is responsible for performing the intercompany transactions with approval from the Board of Directors.

The Finance Department is responsible for alerting EdTec regarding intercompany transactions. EdTec is responsible for recording it into the accounting system, and ensuring accuracy of fiscal year-end balances.

Background: Charter schools are highly dependent on government funding to operate. Government cuts and funding deferrals can result in cash shortages for schools. Therefore the need arises to allocate resources from other schools to cover any shortfall. It is necessary to correctly record transactions between the charter schools and the central office in order to properly determine each school's receivable/liability.

Procedure:

1.0 INTERCOMPANY TRANSACTIONS

1.1 The Chief Financial Officer, with the support of the Finance Department and EdTec, monitors cash balances daily for the charter schools. When a charter school realizes a need for funds, the Chief Financial Officer will assess resource levels for the other schools as well as the central office. If the central office does not have sufficient funds to advance to the charter school requestor, at the discretion of the Chief Financial Officer, the Chief Financial Officer may transfer funds from a charter school with surplus funds into the central office. The Chief Financial Officer may then transfer funds to the charter school requestor from the central office. For policy regarding inter-account bank transfers, refer to **CSH108 INTER-ACCOUNT BANK TRANSFERS**.

1.2 At the end of the fiscal year, each school's receivable or payable account will be reconciled in accordance with **G&A105 PERIOD-END REVIEW & CLOSING**. Once balances are reconciled, an agreement is prepared at the end of the fiscal year between each school and the central office to document the amount owed and repayment terms.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	11/12/15	Revision of responsibilities	Oswaldo Diaz, CFO

SOP # CSH113 Revision: 1 **Prepared by:Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: CSH113 FINANCIAL RESERVES

Policy: To ensure each charter school maintains a fund reserve in order to protect itself from unforeseen revenue shortfalls or unexpected expenditures.

Purpose: To describe responsibilities and monitoring procedures over each charter school's fund reserve

Scope: This applies to all charter schools operated by the Organization.

Responsibilities:

EdTec is responsible for day to day monitoring of charter school cash accounts and ensuring their accuracy.

Chief Financial Officer is responsible for oversight over charter school cash accounts as to ensure that required fund reserve amounts are met.

Background: California regulations state that the following reserve amounts must be maintained:

- Greater of 5% of prior year operational expenditures or $55,000 for districts with 0-300 ADA
- Greater of 4% of prior year operational expenditures or $55,000 for districts with 301-1,000 ADA

Procedure:

1.0 FUND RESERVE BALANCES

1.1 EdTec will monitor the cash balance for each charter school to ensure its accuracy and to be able to project future amounts. This will be accomplished through timely bank reconciliations and regular budget vs. actual comparisons. This process is critical to quickly detect any potential cash shortages so expenditures can be modified or more resources can be requested.

1.2 If the required fund reserve amount for a charter school cannot be met, the Chief Financial Officer with the support of EdTec will need to determine where cash can be derived from in order to restore the fund balance. This can come from central office funds or from another charter school with surplus funds. See CSH112 INTERCOMPANY RECEIVABLES AND PAYABLES (DUE TO/DUE FROM) for this procedure.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service processes	Oswaldo Diaz, CFO

SOP # INV101 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: INV101 FIXED ASSET CONTROL AND LEASES

Policy: Proper control procedures will be followed for all capital asset acquisitions, transfers and dispositions in order to provide internal control of capital equipment and to assist in reporting.

Purpose: To outline the procedures for acquiring, disposing and maintaining control of capital assets. This is particularly important for assets purchased with grant program dollars where the grantee may want the equipment returned at the end of the program.

Scope: This procedure applies to all capital equipment with a value of $5,000 or more and with a useful life greater than one year. In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed $5,000. Depreciation or amortization is computed on the straight-line basis over the useful lives of the assets.

Responsibilities:

School Principals are responsible and accountable for furniture, equipment, machinery and any other capital assets in their schools and will maintain some type of control over capital assets.

Accounting will assist and evaluate any school's capital asset control procedures.

Procedure:

1.0 ACQUISITIONS

1.1 All purchases of assets costing more than $500 and less than $1,000 will be approved by the Purchase Manager. Assets with a cost greater than $1,000 will also require the approval of the Chief Financial Officer.

Proper authorization shall be obtained through the CoolSIS system for all purchases and purchase orders. Documentation of approval should be printed on all Purchase Orders or check requests submitted to Accounting. School Principals may source the vendor for purchase of the capital assets or can submit the request to Purchasing for procurement.

All purchases above $5,000 require at least 3 quotes to be obtained. Quotes may be submitted by the requestor or the Purchase Manager can obtain the 3 quotes. The quotes are entered into CoolSIS along with evaluation and selection of the best option by the requestor. The Chief Financial Officer reviews the 3 quotes and forwards the recommendations to the Chief Executive Officer for final review and decision.

1.2 Any internally constructed or donated equipment will be reported to accounting if the item cost has a value of $5,000 or more. A complete description of the property, date manufactured or received, number of items, cost or estimated value and a statement that it was internally constructed or donated will be included in the report.

1.3 To maintain proper segregation and control upon termination of any employees, any employee owned tools, equipment or furniture brought on the Organization premises will be reported to the School Principal. The report should include the employee's name, description of items, identification numbers, if any, and reason for using the asset.

2.0 DISPOSITIONS

2.1 Capital assets may be sold or traded-in on new equipment. An example INV103 Ex1 ASSET DISPOSITION form or updating of Excel workbooks is to be completed and approved by the School Principal. Any assets with an original value greater than $1,000 will also require the Chief Financial Officer's approval.

Upon approval, the school may advertise the property for sale or submit a list to purchasing for sale and disposition. After completion of the sale, an example INV103 Ex2 BILL OF SALE provided below will issued and the ASSET DISPOSITION form will be submitted to Accounting. Accounting will delete the item from the asset records and record any gain or loss on the disposition.

2.2 Worn-out or obsolete property with no cash value will be reported to Accounting on the Asset Disposition form with the description, serial number and condition. Accounting will inspect all worn-out of obsolete property before it is removed from the school and discarded. The asset will then be removed from the asset records.

2.3 Any asset that is missing or has been stolen will be reported in writing to the School Principal and Accounting as soon as possible. The description, serial number, and other information about the lost item should be included in the report.

Accounting will determine the proper course of action and will notify the company's insurance carrier and any outside authorities if deemed appropriate. If un-recovered, the asset will then be removed from the asset records.

2.4 Inter-school transfers of assets will be reported to Accounting in writing including the description, serial number and the name of the school to receive the property.

The School Principal to whom the item was assigned originally will be held accountable until accounting is notified of the transfer. After being notified, the School Principal acquiring the property assumes responsibility. Accounting will then record the inter-school transfer on the asset records.

3.0 ASSET RECORDS

3.1 Upon any asset acquisition, Accounting is responsible for assigning and attaching asset number tags to the property where it can be readily located.

Accounting will then maintain a detailed listing of each capital asset item along with depreciation records which will include the description, date acquired, vendor, cost basis, assigned school, depreciation method/life and accumulated depreciation and net book value.

3.2 On an annual basis, accounting will furnish each school a report showing a listing of assets assigned to that school and any acquisitions, disposals and transfers during the past year. Any discrepancies noted by the school should notify the Accounting Department as soon as possible. This report should be filed by the School Principal for reference and later use.

3.3 Each school will be responsible for locating assets with its number tag attached that are recorded as assigned to their school whenever requested by Accounting, a county property tax auditor or the company's external auditors.

3.4 Whenever a change in School Principal occurs, all items should be accounted for by the outgoing School Principal. The incoming School Principal will accept the responsibility and accountability for the school asset listing upon assuming the position. Accounting can assist with this audit if requested.

4.0 LEASED OR OWNED VEHICLES

4.1 The safety and comfort of MERF employees, parents and Board members is of utmost importance. Therefore, MERF has established a policy whereby vehicles, whether leased or purchased, will be retained for a maximum of 100,000 miles or 8 years, whichever is less. The Accounting Department will establish a mileage log to ensure vehicles are properly planned and replaced on schedule. Any individual that is assigned a vehicle shall be responsible for maintaining the mileage log and working with the Accounting Department in complying with the replacement requirements of this policy.

4.2 A mileage log will be retained for each vehicle and all users will note the beginning and ending mileage for all trips. This log will be provided to the designated driver upon pickup of keys for use of a vehicle. Under no circumstances may an employee retain the keys or mileage log overnight unless on an authorized, extended trip requiring overnight accommodations. All keys will be returned to the administrative office or central kitchen upon completion of the day’s authorized trips.

4.3 The Accounting Department will ensure that all vehicles are taken to an authorized vendor for maintenance and service. All vehicles will receive appropriate oil changes on a minimum 5,000 mile schedule. Tires will be rotated at the same time and tires will be replaced after 50,000 miles (or sooner) if believed to be worn beyond prudent safety levels.

4.4 The Accounting Department will submit RFPs to authorized vehicle dealers and service vendors on an annual basis. All vehicles will be serviced by the same designated vendor(s) for this annual contract period. The only exception will be for vehicles, newly purchased or leased, which provide for free maintenance and service as part of its warranty period or any special arrangements made as part of the purchase or lease of the vehicle.

4.5 Designated drivers must report any problems or issues identified, upon completion of their daily trip(s), to the Accounting Department. A “Vehicle Report” must be completed and submitted to the Accounting Department immediately upon return from any trip whereby a problem or issue is suspected or identified.

4.6 If any driver is involved in an accident, whether with another vehicle or not, the driver must complete an Accident Report form and submit the report form to the Accounting Department immediately upon return to MERF. A copy of the report form and instructions for submitting the report and "what to do if involved in an accident" are included in the Exhibits section.

5.0 LEASES

5.1 Classification of Leases

It is the policy of MERF to classify all leases in which MERF is a lessee as either capital or operating leases. MERF shall utilize the criteria described in Statements of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

1. The lease transfers ownership to MERF at the end of the lease term;

2. The lease contains a bargain purchase option;

3. The lease term is equal to 75% or more of the estimated economic life of the leased property; or

4. The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of MERF's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

MERF shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

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INV103 Ex1 ASSET DISPOSITION FORM

Date:_______________________________________

Requested By:_________________________________

School:______________________________________

Reasons for Disposition:____

____

Description	Serial Number	Date Purchased	Original Cost	Net Book Value	Expected Or Actual Proceeds	Gain or Loss

Principal:_____________________________________Date:____________________

Chief Financial Officer:___________________________Date:____________________

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INV103 Ex2 BILL OF SALE

This Bill of Sale is made on (PURCHASE DATE) between (STORE or COMPANY NAME) , a (STATE) Corporation, with its principal place of business at (COMPANY ADDRESS) ("Seller") and (BUYER'S CONTACT INFORMATION) , ("Buyer").

In exchange for the payment of (DOLLAR AMOUNT) Dollars that has been received, the Seller sells, assigns and transfers all of its right title and interest in the (ASSET SOLD) (the "Goods").

The Seller warrants that it owns the Goods and that it has the Authority to sell the Goods to the Buyer. The Seller further warrants that the Goods are free and clear of all liens, indebtedness, or liabilities. The Seller also warrants that all of the Goods are in good working condition as of the date transferred.

I have carefully reviewed this Bill of Sale and agree to and accept its terms and conditions. I am executing this Bill of Sale as of the day and year first written above.

Seller:	Buyer:
______________________________	___________________________
NAME Owner COMPANY NAME	NAME

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SOP # INV102 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **INV102 FIXED ASSET CAPITALIZATION & DEPRECIATION**

Policy: Asset acquisitions with a useful life expectancy of greater than one year and with a minimum threshold amount as specified by the Chief Financial Officer should be capitalized by the Organization and depreciated.

Purpose: The purpose of this procedure is to delineate the capitalization and depreciation methods for various asset groups.

Scope: All acquisitions of capital assets for the Organization.

Definitions: Capitalization - Capitalization is the method chosen to record the purchase of a fixed asset on the Organization's accounting books. If an asset is capitalized then it is not expensed in the same year the asset is purchased. Instead the asset is generally recorded on the balance sheet and individually on an asset schedule. Examples of capital expenditures are purchases of land, buildings, machinery, office equipment, leasehold improvements and vehicles. The asset is expensed each year as depreciation.

Depreciation - is an annual income tax deduction that allows the write-down or write-off of the cost of the asset over its estimated useful life to recover the cost or other basis of certain property over the time the property is used. It is an allowance expense for the wear and tear, age, deterioration, or obsolescence of the property.

As an asset ages and is used by the Organization, its value declines. It, in effect, becomes worth less and less over time. The declining value or usefulness of the asset over time is represented as a discount that is applied to the original purchase price. At the end of the asset's depreciation period, (and/or useful life), its value on the balance sheet will be zero, or fully-depreciated. At the same time, the individual depreciation expenses will have all been recorded on the income statement.

Note: Land is not depreciated because land does not wear out, become obsolete, or get used up. But, the building on the land is depreciated. Land is generally viewed as an appreciating asset while all other capital assets are generally viewed as depreciating over time, with use. But, unlike depreciation, an asset's appreciation is not recorded on the books until the asset is sold, which is when the assets appreciation is realized.

Cost basis – The total amount paid for the asset, in cash or kind, is considered the "cost-basis". This should include all charges relating to the purchase, such as the purchase price, freight charges and installation, if applicable. The cost basis is not the market value or list price of the asset. It is the total amount invested in the purchase or the total amount paid.

Procedure:

1.0 CAPITALIZATION

1.1 All assets with a useful life of greater than one year and costing more than $5,000 will be capitalized and (except for land) will be recorded in the depreciation records.

Bulk computer, software, and other technology purchases with an aggregate value of $25,000 or more are captured as fixed assets regardless of individual price of item.

In addition, remodeling modifications and replacement costs of integral structural components are only capitalized when such costs incurred exceed $50,000. Depreciation or amortization is computed on the straight-line basis over the useful lives of the assets.

Any asset that does not meet the above criteria will be expensed such as small tools and equipment or repairs and maintenance.

1.2 The cost basis of furniture and equipment assets will include all charges relating to the purchase of the asset including the purchase price, freight charges and installation if applicable.

1.3 Leasehold improvements including painting are to be capitalized if they relate to the occupancy of a new office or a major renovation of an existing office or site. Expenditures incurred in connection with maintaining an existing facility in good working order should be expensed as a repair.

1.4 The cost of buildings should include all expenditures related directly to its acquisition or construction. This cost includes materials, labor and overhead incurred during construction, and fees, such as attorney's and architect's and building permits.

1.5 Maintain proper files on the details to all acquisitions, expenditures, and maintenance performed on all assets. These records are vital for proper tax preparation and are used during yearly tax reporting and planning.

2.0 DEPRECIATION

2.1 The depreciation methods/lives for assets must be selected at the time the asset is first placed into service in order to ensure consistent financial reporting and tax compliance.

The Organization uses the straight-line method of depreciation.

The following represents a sample of the useful lives that the Organization may use for financial reporting purposes:

Asset Class	Examples	Estimated Useful Life in Years
Land		N/A
Site improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor	20
Buildings		20 - 50
HVAC systems	Heating, ventilation, and air systems	10 - 20
Roofing		20
Interior construction	Leasehold improvements	20 - 25
Carpet replacement		7
Electrical/plumbing		30
Sprinkler/fire system	Fire suppression systems	25
Outdoor equipment	Playground, radio towers, tanks	20
Machinery & tools	Shop & maintenance equipment,	3 - 15
Custodial equipment	Floor scrubbers, vacuums, other	7 - 15
Furniture & accessories	Classroom & other furniture	10 - 20
Business machines	Fax, duplicating & printing	3 - 10
Copiers		3 - 10
Communication equipment	Mobile, portable radios	3 - 7
Computer hardware	PCs, printers, network hardware	3 - 5
Computer software	Instructional, other short-term	5 to 10
Computer software	Administrative or long-term	10 to 20
Audio visual equipment	Projectors, cameras (still & digital)	5 - 10
Athletic equipment	Wrestling mats, weight machines	7 - 10
Library books	Collections	5 to 7
Licensed vehicles	Buses, other on-road vehicles	5 - 10

2.2 The lowest life permitted by tax regulations for asset classes should be selected to optimize depreciation deductions.

2.3 Regardless of the depreciation rate required an Organization can elect to use a different method for financial statement purposes. Such method should be justified based on the expected useful life of the asset.

2.4 Depreciation will be recorded in the accounting system at the end of the fiscal year.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	11/12/15	Revision of capitalization policy relating to technology aggregate purchases	Oswaldo Diaz, CFO

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SOP # REV101 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **REV101 SALES RECEIPT PROCESSING**

Policy: To ensure the most accurate process for billing for services, sales receipts will be properly evaluated and approved prior to entry into the accounting system.

Purpose: This procedure outlines the activities and responsibilities involved in verifying the acceptability of all sales receipts.

Scope: These procedures are to be followed for all sales receipts.

Responsibilities:

EdTec approves sales receipt documentation.

Procedure:

1.0 DOCUMENT VERIFICATION

1.1 Sales Receipts are often used for Parenting Fees and other similar fees. Verify that all of the correct documents have been used and are present to support the sales receipt transaction. The following documents are required to complete the Sales Receipt transaction:

- Document identifying what the money collected is for
- Approval or authorized signature for the course
- Customer, parent, or other correspondence or support documentation, etc
- Complete the EdTec Deposit Log

1.2 Verify that all required information is available to complete the sales receipt.

1.3 Review the customer's Accounts Receivable aging and determine that the customer is current with their payments and that the new sales receipt will not affect their balance.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, CFO

SOP # REV102 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **REV102 INVOICING, ACCOUNTS RECEIVABLE, RECEIVABLE ACCRUALS**

Policy: The Finance Department is responsible for the timely preparation and distribution of invoices to optimize cash flow and customer payments. The Finance Department with the support of EdTec will also maintain accurate records over Accounts Receivables and Accruals and abide by proper internal controls.

Purpose: To explain the methods for the preparation of invoices, accounts receivable, and receivable accruals records processing.

Scope: This procedure applies to all revenue earned and services provided by the company.

Procedure:

1.0 SALES RECEIPT REVIEW

1.1 A formal invoice is not always applicable such as when service fees are collected for items such as Parenting.

1.2 The SALES RECEIPT should contain all pertinent billing information as part of the company's sales receipt procedure. However, as part of proper internal control, Billing will verify the information contained on the customer's sales receipt documentation.

As part of this review process, the propriety and accuracy of contact information, prices, description of services, extensions and footings will be determined.

2.0 INVOICE PREPARATION AND POSTING

2.1 The next sequentially numbered Invoice (see example REV102 Ex1 INVOICE) will be prepared from the information from the Federal, State, or Local Grant or Contract Language including all reimbursable costs and will include the invoice date, service item, description of services or billing information, quantity, rate, class or program code, price and extended amounts and the customer's billing addresses.

2.2 Post the invoice by saving the transaction.

3.0 DISTRIBUTION

3.1 Send one copy of the invoice to the customer and retain a second copy of the invoice in the customer file.

4.0 ACCOUNTS RECEIVABLE

4.1 Accounts Receivable will receive and process payments from customers in accordance with the CASH RECEIPTS procedure.

4.2 On a monthly basis, Accounts Receivable will generate an aged trial balance of customers' accounts with individual invoice information and days outstanding and will forward to Finance Manager and Chief Financial Officer for their follow up on any aged invoices.

4.3 Accounts Receivable will generate monthly statements of outstanding customers' accounts and issue them to customers no later than 10 days after each month end.

4.4 Accounts Receivable will issue Credit Memos to customers upon receipt of approved changes in the terms.

5.0 RECEIVABLE ACCRUALS

5.1 Monthly receivable accruals are at the discretion of the Chief Financial Officer and the Finance Manager when those amounts are reasonably known and quantifiable. Fiscal year end receivable accruals are required to be quantified and recorded no later than August 15th.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back office service provider	Oswaldo Diaz, CFO

REV102 Ex1 INVOICE

INVOICE NO. _____________

CUSTOMER:

Item	Description	Qty	Rate	Class	Amount
				Total	

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REV102 Ex 2 ACCOUNTS RECEIVABLE WRITE-OFF AUTHORIZATION

Customer: Date:

Invoice No's: **Amount of Write-Off**

TOTAL $

JUSTIFICATION

Summary of Collection Actions To Date:
(Include brief description of collection actions taken by accounting, other Company departments and outside collection agency or legal, if applicable)

Approvals:

Credit Manager:________________________________ Date:_______________

Controller:____________________________________ Date:_______________

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SOP # REV103 Revision: 1 **Prepared by:Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **REV103 PROJECT(Grant/Contract) REVENUE: PROGRESS BILLING**

Policy: Progress billings will be made to clients on a timely basis throughout the life of the project. Projects are typically considered Federal, State, and Local Grant contracts. These billings will be accurate and easily understood by both parties involved.

Purpose: The purpose for creating progress billings is to obtain payment for the portion of labor and materials, i.e. "reimbursed costs" used up to a certain point in time and before the project is fully completed. This improves the cash flow typical of long-term projects or assignments. This procedure applies to all Federal, State, and Local Grants and Contracts, Service agreements or Projects provided by the Organization.

Scope: This procedure applies to all service agreements or projects provided by the Organization.

Responsibilities:

The Finance Department is responsible for the confirmation of all final program amounts and is responsible for knowing the correct procedures to be followed for each contract.

Procedure:

1.0 CONTRACT TYPES

1.1 Reimbursement for Services. Progress billing for Reimbursement for Services contracts requires School Site Accountants to be up to date and monitor the services being provided according to the terms of each contract. The School Site Accountant will enter into the reimbursement request the allowable costs that may be billed according to the contract. From time to time and at the end of the contract, the Chief Financial Officer reviews the billings of the contract and ensures that all available opportunities to recover reimbursable costs have been considered.

1.2 Set Contracts. Set contracts such as with the individual charter schools involve reimbursement for costs such as building rental and an allowance for the amount of apportionment attendance earned. Although the contract is set by terms of the contract, since student attendance can vary, the invoicing for these types of contracts is the same amount throughout the fiscal year and reconciled at the end of the year to account for the final attendance counts.

2.0 BREAKDOWN OF CONTRACT AMOUNT

2.1 The Finance Department with the support of EdTec is responsible for the final reconciliation of all grant and other contracts at the end of the year by reviewing final billings prepared by the School Site Accountant and/or the School Principal. Normally, the contractual agreement will specify the procedures for payment and may also specify the form of the breakdown of contract amount that is required. Care should be taken to be sure that all costs, services, and fees are fully billed and accounted for in each contract.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office provider and revision of responsibilities.	Oswaldo Diaz, CFO

SOP # REV104 Revision: 0 **Prepared by: Central Office**
Effective Date: 2/14/13 **Approved by: BOD**

Title: REV104 ACCOUNT COLLECTIONS

Policy: All open accounts receivable with late or delinquent payment activity will be handled in a timely and effective manner to ensure maximum collections and an optimum accounts receivable turnover ratio.

Purpose: To provide the actions and methods for processing late or delinquent payments.

Scope: This procedure applies to the Accounts Receivable Department involved with collection of past due accounts receivable. The School Site Accountant and the Chief Financial Officer may be involved in reference special arrangements.

Responsibilities:

The School Site Accountant reviews all records for a customer to determine a possible explanation for non-payment prior to commencing the collection process.

Definition: Bad Debt consists of unpaid accounts receivable invoices that are considered to be uncollectible.

Debt collector is any person who regularly collects debts owed to others. This includes attorneys who collect debts on a regular basis.

Procedure:

1.0 COLLECTION PROCESS

1.1 No matter how careful customers are screened prior to credit approval, slow pay or delinquent accounts will occur from time to time. Once an account becomes past due by even a few days, the collection process should commence immediately. Studies have shown that the sooner the collection process starts then the more likely that the debt will be collected.

1.2 Prior to commencing the collection process, the following should be reviewed by the assigned School Site Accountant:

- Verify that after the Invoice was immediately sent out for all billings to the customer and sent to the correct billing address.
- Make certain that the Organization has not received the customer's payment or applied it to the wrong account. These seem obvious, but it can avoid an uncomfortable situation in wrongly accusing the customer of delinquent payments.

- Review the customer's past payment activity. Determine if they are chronically late and what their response has been to any other overdue notices to determine payment patterns or trends.

1.3 Upon review of the above, the Accounts Receivable Representative should then proceed with the collection process by completing an REV104 Ex1 ACCOUNT COLLECTION CONTROL Form. This form will assist in planning and tracking the collection effort. Depending on the amount and the customer situation, the representative can choose to follow-up with collection letters, telephone calls or both.

Record all actions taken (late payment notice, telephone call, etc.) with a date on an ACCOUNT COLLECTION CONTROL Form filed in the customer folder. All customer agreements and explanations should be noted. If payment has not reached the Organization by the expected date, immediate follow-up action should be taken with another collection call or letter. The longer an overdue account is ignored, the longer the customer will ignore it, too.

1.4 Telephone communication will often speed up the collection process. Credit representatives, when speaking with a delinquent account, should observe a few tips or principles.

- Identify yourself and the Organization and state the reason for calling. Be direct and use a controlled, confident voice. Concentrate on listening to the customer and don't rush through the call.
- Get the Facts - The most powerful tool is knowledge. During the phone conversation, try to gain as much insight into the situation as possible. Remember, the goals and objectives are to:
  - Collect the money!
  - Identify reasons for non-payment
  - Settle on an agreement for clearing the debt, including special payment plans and exact dates when a check will be sent.
- Never argue, accuse or be condescending - Verbally fighting or talking down to the customer will only serve to produce negative feelings and may hamper the collection effort. The ultimate purpose is to secure payment, and this is best accomplished without becoming defensive or irritated.
- There are several common objections, complaints and excuses used to elude payment. Study the following examples to learn the most effective responses to the most frequently used ploys.

  "**I didn't get the invoice**." - Respond by verifying the debtor's name and address, and then review the account information with them.

  "**The check is in the mail**." - Extend your thanks, then ask for a check number, amount, date posted and address to which it was mailed.

"**Your payment is being processed**." - Ask when the payment will be ready for the mail. Determine the process that the payment undergoes after it leaves your contact's desk.

"**I need proof of delivery**." - Give the customer the name of the person who signed the delivery slip.

"**The computer is down**." - When do you expect it to be up? Can we get a manual payment?

"**I'll pay you when we get paid**." - Respond calmly, but make a direct request for payment, such as When can I expect payment?"

"**I have no money**" - Create a payment plan. Be flexible and consider alternatives offered by the customer. Work toward making the plan acceptable to both of you.

1.5 Many people find it difficult to confront customers regarding delinquent payments. Just keep in mind that it is the customer, who should feel uncomfortable in this situation.

1.6 If customers stop paying, their phone has been disconnected, and you cannot find them, consider using these resources to locate these debtors and their assets:

- City directories
- Post office (for a forwarding address)
- A customer's employer
- Department of motor vehicle license and registration records
- "In case of emergency" contact, references or closest relatives listed on a credit application
- Old files and correspondence
- The Internet (i.e. http://www.isleuth.com/peop.html)
- Skip-tracing services or private investigator
- Credit bureau reports
- Neighbors
- Directory assistance

2.0 SERIOUSLY DELINQUENT OR UNRESPONSIVE ACCOUNTS

2.1 When an account becomes more than 60 days past due, the immediate target of securing prompt payment should take on a greater sense of urgency. The Finance Manager should review the account with Accounts Receivable to determine if the customer's business is valued.

If their business is valued, the following strategies may be used to collect payment:

- Restrict any further credit until the past due amount is paid in full.
- Withhold services already entered into. The harsh reality of having a MERF customer have to move from a MERF location or find a new provider often can spur a delinquent account into action.

2.2 If all other avenues for collection of the account have been exhausted, the Finance Manager, after consulting with the Chief Financial Officer, may want to consider and authorize the use of an outside collection agency.

2.3 All uncollectible accounts will be reviewed by the Finance Manager for disposition.

3.0 WORKING WITH COLLECTION AGENCIES

3.1 Collect all material records for the debt in question and send them to the collection agency. The agency will require a copy of the invoice, proof of delivery, and/or any other correspondence that may help them collect the debt.

3.2 Record the date the debt was sent to collections in the accounts receivable file.

3.3 If payments are received after the debt has been sent to collections, then notify the collection agency immediately in order to stop any further collection efforts. The agency will take their fee for any debt that has been collected once it has been registered by the agency.

3.4 If all other avenues for collection of the account have been exhausted, the Organization should consider further legal action.

4.0 WRITING OFF UNCOLLECTED DEBT

4.1 Write-off any debts remaining uncollected or that are returned from the collection agency and record as a bad debt expense and deduct from accounts receivable.

4.2 If any payments are received after being written-off from accounts receivable, then receive them in as income in the period received.

4.3 If bad debt is a recurring problem then consider setting up a reserve account or allowance for bad debt at the beginning of the year.

References:

A. FAIR DEBT COLLECTION PRACTICES ACT (FDCP)

The FDCP requires that debt collectors treat consumers fairly and prohibits certain methods of debt collection. Personal, family, and household debts are covered under the Act. This includes money owed for the purchase of an automobile, for medical care, or for charge accounts. Business debt is not included.

Debt collectors may not 1) harass, oppress, or abuse the debtor or any third parties they contact. 2) Use any false or misleading statements when collecting a debt. For example, debt collectors may not:

- Use threats of violence or harm;
- Publish a list of consumers who refuse to pay their debts (except to a credit bureau);
- Use obscene or profane language; or
- Repeatedly use the telephone to annoy someone.
- Falsely imply that they are attorneys or government representatives;
- Falsely imply that the debtor may have committed a crime;
- Falsely represent that they operate or work for a credit bureau;
- Misrepresent the amount of the debtor's debt;
- Indicate that papers being sent to the debtor are legal forms when they are not
- Indicate that papers being sent to the debtor are not legal forms when they are.
- Give false credit information about the debtor to anyone, including a credit bureau;
- Send the debtor anything that looks like an official document from a court or government agency when it is not.
- Use a false name.
- Collect any amount greater than the debtor's debt, unless the debtor's state law permits such a charge;
- Deposit a post-dated check prematurely;
- Use deception to make the debtor accept collect calls or pay for telegrams;
- Take or threaten to take the debtor's property unless this can be done legally.
- Contact the debtor by postcard.
- Say the debtor will be arrested if they do not pay the debt;
- Say they will seize, garnish, attach, or sell the debtor's property or wages, unless the collection agency or creditor intends to do so, and it is legal to do so.

- Say they will take actions, such as a lawsuit against the debtor, when such action legally may not be taken, or when they do not intend to take such action.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	

REV104 Ex1 ACCOUNT COLLECTION CONTROL FORM

Account Name:______________________________

Address:______________________________

____

____

Contact(s):______________________________

Telephone #'s:______________________________

____

Payment Terms:______________________________

Comments:______________________________

____

____

Invoice	Date Due	Amount	Date Paid	Running Total Due

Date Taken	Customer Reply or Action

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SOP # REV105 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **REV105 REVENUE RECOGNITION - GRANTS AND CONTRIBUTIONS**

Policy: The Organization receives revenue from several types of transactions. It is the policy of the Organization to separate and recognize revenue from grants and contributions separately in the financial statements of the Organization and to comply with all current Federal and California rules regarding solicitation and collection of charitable contributions.

Purpose: To provide a separate accounting of grant and contribution income.

Scope: This procedure applies to all grant and contribution income.

Responsibilities:

Chief Financial Officer and the Finance Department direct the separate accounting for grant revenue and contributions received.

EdTec ensures that grant and contribution revenues are separately tracked within the accounting system.

Definition:

Contribution - An unconditional transfer of cash or other assets to the Organization, or a settlement or cancellation of the Organization’s liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Organization or releases the promisor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in the Organization’s articles of incorporation and bylaws. Restrictions on the Organization’s use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to the Organization without directly receiving value from the Organization in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to the Organization.

Exchange Transaction - A reciprocal transaction in which the Organization and another entity each receive and sacrifice something of approximately equal value

Procedure:

1.0 GRANT AND CONTRIBUTION REVENUE RECOGNITION

1.1 **Grant income** – Recognized as income when received, based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards). The types of grant income typically received by the Organization are:

(a) Education payments for MERF Charter services.
(b) Various Federal, State, and Local grants and contracts.
(c) Other types of grant income may be received from time to time.

At year-end, grant income that has been incurred but not yet received are accrued to conform with generally accepted accounting principles.

1.2 **Contributions** - Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income).

1.3 **CONTRIBUTIONS RECEIVED**

A. Distinguishing Contributions from Exchange Transactions

The Organization may receive income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. The Organization shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. The Organization's intent in soliciting the asset, as stated in the accompanying materials;

2. The expressed intent of the entity providing resources to the Organization (i.e. does the resource provider state its intent is to support the Organization's programs or that it anticipates specified benefits in exchange?);

3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of the Organization (contribution);

4. Whether payment received by the Organization is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by the Organization, or the cost of those assets plus a markup (exchange transaction);

5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and

6. Whether assets are to be delivered by the Organization to individuals or other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or the Organization is closely connected to the resource provider.

B. Accounting for Contributions

The Organization shall recognize contribution income in the period in which the Organization receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions. See REV107 Restricted Funds for more details.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of the Organization in the period that the Organization receives evidence that a promise to support the Organization has been made. Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management. Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to the Organization at the time the Organization receives a promise from a donor.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

When it receives support in the form of volunteer labor, the Organization shall record contribution income and assets or expenses if one of the following two criteria is met:

1. The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or

   2. The contributed service possesses all three of the following characteristics:

      a. It is the type of service that would typically need to be purchased by the Organization if it had not been contributed,
      b. It requires specialized skills (i.e. formal training in a trade or profession), and
      c. It is provided by an individual possessing those specialized skills.

Contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

C. Receipts and Disclosures

The Organization and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and its underlying regulations. To comply with those rules, the Organization shall adhere to the following guidelines with respect to contributions received by the Organization.

For any separate contribution received by the Organization, it shall provide a receipt to the donor. The receipt shall be prepared by the School Principal. All receipts prepared by the Organization shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received;

2. A statement of whether the Organization provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the Organization from the donor, and

3. If any goods or services were provided to the donor by the Organization, a description and good faith estimate of the value of those goods or services.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Change in responsibilities	Oswaldo Diaz, CFO

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SOP # REV106 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **REV106 GIFTS-IN-KIND**

Policy: MERF may accept contributions of goods or services that can be used to advance the mission of MERF and/or any of its schools or may be converted readily into cash. When accepting a gift-in-kind, the receiver must ask the donor to complete as an example REV106 Ex1 GIFT-IN-KIND FORM. Once the donor has completed the form, the receiver must sign the form and send it immediately to the central office for processing.

Purpose: To ensure that Gift-In-Kind transactions are handled in accordance with IRS guidelines and are properly recorded.

Scope: All Gift-In-Kind transactions.

Responsibilities:

Receiver is responsible for assessing the gift for usefulness to the Organization.

School Principal is responsible for handling donor documentation.

The Financial Analysts are responsible for assessing value of gift and informing EdTec so that it can be recorded into the accounting system.

Definition: **Gifts-In-Kind** - Transactions categorized as a voluntary contribution of goods or services that can be used to advance the mission of MERF or can be readily converted to cash and may qualify as a charitable deduction for the person(s) making the gift.

Contributed services cannot be counted as a gift and do not qualify as a charitable tax deduction to the donor. However, a donor of services may be able to deduct expenses incurred while performing said services. In such cases, the donor should be advised to consult with a tax accountant.

Background: The IRS has specific regulations regarding gifts-in-kind. This policy outlines the process an employee of MERF should follow when presented with a gift-in-kind. It limits the liability that may inadvertently be assumed by placing value on gifts or by accepting a gift that does not advance the mission of MERF or cannot be readily converted to cash. It further assures that a donor will receive timely acknowledgement of his/her contribution.

Procedure:

1.0 RECEIPT OF GIFT

1.1 When presented with a potential gift-in-kind, an individual must assess if the gift can be used to advance the mission of MERF or could be readily converted to cash. If there is any question as to whether the contribution meets either of these criteria, the individual should contact his/her immediate supervisor or the central office.

1.2 If the gift is accepted, the individual should offer an immediate and sincere expression of gratitude. At that time, the donor should be given a Gift-In-Kind form and be encouraged to complete the form at that time. If the donor is unable or unwilling to complete the form, the receiver may complete the form, write "N/A" as the estimated fair market value, and enter that the form was completed by him/her in the note section in the lower right hand corner.

The individual accepting the gift cannot offer tax advice or dictate the value of the contribution. It is the responsibility of the donor to determine the fair market value of the contribution. **Note:** the value is for MERF internal gift reporting and accounting only; the donor's receipt and/or acknowledgement will not indicate value in any way that could be construed as an endorsement of its value.

1.3 If the item is personal property of the donor and is valued at more than $5,000, the donor must obtain a certified appraisal. The appraisal cannot be dated more than 60 days from the date of the donation. It must be prepared, signed and dated by a qualified appraiser. Federal law requires that the donor pay for the appraisal. (The cost of the appraisal is also tax deductible). This value will be used for gift reporting purposes only.

What constitutes a qualified appraisal:
I. Appraiser must hold himself or herself out to the public as an appraiser and state credentials showing that he or she is qualified to appraise the type of property being valued.
II. Appraiser must value the property no more than 60 days before the date of gift; it can be done after the gift has been accepted by the MERF.
III. Appraiser cannot be (1) the donor, (2) the donee (MERF), (3) any party to the transaction, (4) an appraiser used regularly by (1), (2) or (3), or anyone employed or related to (1),(2), or (3).

The appraisal must contain the following information:
1. A description of the item
2. Its physical condition
3. The date (or expected date) of the contribution
4. Name, address and tax ID number of the appraiser
5. Qualifications of the appraiser including his/her background, experience and education
6. A statement that the appraisal was prepared for income tax purposes
7. Date the item was valued
8. Appraised fair market value of the item
9. Method of valuation (income approach; market data approach; replacement cost minus depreciation approach.)
10. Appraiser must complete Part IV of Section B on form 8283

1.4 The individual accepting the gift will sign and date the Gift-In-Kind form only after the donor has irrevocably turned over the gift-in-kind. Once signed, the form should be turned over to the School Principal immediately for processing and acknowledgement.

1.5 The School Principal will notify the School Site Accountant of the contribution. The School Site Accountant will then provide necessary information to EdTec so that it can be assigned as an asset or income to the appropriate school or to the central office.

2.0 COMPLIANCE

2.1 The IRS allows an individual to deduct the full fair market value of a donated item if it is kept by MERF and used for one of its tax-exempt purposes. If the item is to be converted to cash, then the donor may claim a deduction of the cost value or the fair market value, whichever is less. **It is the sole responsibility of the donor to determine the value of a contributed item; the receiver cannot assign a value to the donated item(s).**

2.2 Upon receipt of a gift-in-kind, MERF will issue an acknowledgement to the donor along with a copy of the Gift-In-Kind form. The acknowledgement will contain only a description of the contribution and will not include a statement as to the value of the contribution. It will further contain a statement as to what, if any, goods or services were given in exchange for the contribution. MERF cannot issue an acknowledgement for contributions that cannot be used or readily converted to cash.

2.3 For gifts with values exceeding $5,000, the donor must complete all parts of IRS form 8283 and submit the form to MERF for signature. The School Principal, the Chief Financial Officer and the Chief Executive Officer are the only individuals authorized to sign 8283 forms.

If MERF has signed an IRS form 8283 and then sells, exchanges or otherwise transfers the gift within two years from the date of gift, the central office must file a donee information return, IRS form 8282, within 125 days of disposing the property. MERF will advise the donor if such a transaction occurs as it may affect the charitable tax deduction for which they qualify.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, CFO

REV106 Ex1 GIFT-IN-KIND CONTRIBUTION FORM

Date: _______________________________

Event Name (if appplicable): __________________________

Donor Information:

Donor Name ____

Contact Person ____

Address ____

City ____ State _______________ Zip _______________

Daytime phone _______________________________________ E-mail Address______________________

Gift Description: ____

____

____

____

Estimated fair market value (by donor): $ _________________

Special instructions (e.g., item delivery or pick up, restrictions, etc.):

____

____

____

Please return this form to:

Finance Department Phone: (714)892-5066
13950 Milton Ave. Fax: (714)362-9588
Suite 200B
Westminster, CA 92683

Per IRS regulations, any item you value over $500 requires IRS Form 8283; any item you value over $5,000 requires Form 8283 and a written appraisal.

This form does not serve as a receipt for this contribution, but is intended for our internal record keeping purposes only. A receipt describing the items or merchandise donated will be mailed to the address supplied above. Magnolia Educational & Research Foundation is unable to include the estimated value on the donor receipt. It is the responsibility of the donor to substantiate the fair market value for his/her own tax purposes. The donation of services, although very valuable and much appreciated, is generally not considered tax deductible by the IRS. Please consult with your tax advisor to determine the tax implications of your gift.

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SOP # REV107 Revision: 1 **Prepared by:Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **REV107 RESTRICTED FUNDS**

Policy: To properly record and track funds with restrictions in order to ensure the donor's intended uses are met, assist with cash flow planning purposes, and to stay within compliance with laws relating to use of restricted funds.

Purpose: Generally accepted accounting principles require the Organization to classify funds based on the restrictions provided by the donor. These classifications may be unrestricted, temporarily restricted or permanently restricted. Donor restrictions should be in writing, to ensure proper treatment.

Scope: This procedure applies to funds received that are classified as temporarily or permanently restricted.

Responsibilities:

EdTec is responsible for recording restricted donations and releases from restrictions properly in the accounting system. EdTec is also responsible for periodic reconciliation of restricted asset totals and monitoring restrictions to determine whether they have been met.

Chief Financial Officer is responsible for monitoring of restrictions and determining whether fulfilling restrictions can be viable for the Organization.

Definition:

Unrestricted Net Assets - net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Temporarily Restricted Net Assets - net assets whose use are limited by donors to either a specified purpose or a later date. Pledges receivable are considered to be temporarily restricted because of an inference that uncollected amounts are intended for future periods.

Permanently Restricted Net Assets - net assets whose use are restricted in perpetuity, such as endowments.

Procedure:

1.0 RESTRICTED FUNDS

1.1 At the time revenue is earned by the Organization, the Financial Analysts with the support of EdTec will review any related documentation associated with the revenue to determine whether there are any restrictions on the money. Examples of restrictions are individual donations given with the intent of supporting a particular program or campaign, a grant received to operate a specific program or project, and donations received to hold in perpetuity. This information can be found on the award letter or on the financial instrument itself. If the revenue is determined to contain restrictions, EdTec will record in a separate class in the accounting system to keep separate from unrestricted funds.

1.2 **Temporarily Restricted Funds** – These funds will be monitored for satisfaction of donor restrictions on a regular basis. Once stipulations are met, they are reclassed from temporarily restricted funds to unrestricted funds regardless of when the related expenses will occur. This is known as "net assets released from restrictions."

1.3 **Permanently Restricted Funds** – These funds are restricted by the donor for a designated purpose or time restriction that will never expire. The intent is that the principle balance of the contribution will remain as an investment forever, and the Organization will utilize the interest and investment returns, such as with an endowment.

2.0 ACCOUNTING FOR RESTRICTED FUNDS

2.1 In addition to the obligation to its donors, the Organization is bound by law to spend contributed dollars as designated. If a condition on restricted funding has not been fulfilled and the money has been spent, the donor can demand that the funds be returned, pursue legal action, or contact the Office of the Attorney General. It is of the utmost importance that donor restricted funds are handled properly.

2.2 Do not budget to spend money unavailable to Organization. When planning and budgeting, be mindful of any and all of the time and activity restrictions present on restricted funds. Understand how restrictions will impact cash flow and availability of funds.

2.3 Educate staff and board members who are accountable for the Organization's financial decisions so that they fully understand funding restrictions. Know when the restrictions are satisfied and how to release the funds from restriction.

2.4 When analyzing financial reports, pay close attention to unrestricted funds and, unless you are making decisions regarding programming for which the funds have been restricted, avoid basing decisions on restricted funds. Try to focus your attention on the "Unrestricted" amounts. Formatting financial report with columns that delineate unrestricted and restricted funds can be very helpful.

2.5 Most restrictions on funds directly relate to the grant or fundraising request. When researching and applying for grants, be aware of any challenges that potential restrictions could present to the Organization.

2.6 Fundraising letters and appeals can inadvertently place restrictions on donations. Be certain that managers and donors understand the purpose of contributed dollars and understand if restrictions are present. Also, be certain that staff charged with fundraising understand that appeals can lead to restricted gifts.

2.7 Work with staff to understand the true cost of programming. Allocate all direct costs associated with a program. These allocations help to prepare more accurate budgets for grants and fundraising appeals, and better utilize contributions restricted to specific programs to ease the pressure on limited general operating dollars.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**11/12/15**	Change in responsibilities	Oswaldo Diaz, CFO

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SOP # PUR101 Revision: 1 **Prepared by: Central Office**
Effective Date: 2/20/15 **Approved by: BOD**

Title: **PUR101 VENDOR SELECTION**

Policy: To ensure the performance capabilities of all vendors and maintain the internal controls of over the purchasing functions, vendor selection , quality control , and certain procedural requirements.

Purpose: To provide the methods for determining, documenting and, when applicable, inspecting vendors for compliance with Organization policies and contract purchasing requirements.

Purchased products and services should conform to specified requirements. This starts with selection of appropriate suppliers, consultants, and contractors that have the capability and systems to supply products, materials and services to satisfy Organization requirements. Suppliers and consultants are controlled to the extent necessary based on the effect of the purchased items and services on the quality of the Organization's products and services.

Scope: This procedure applies to all vendors of products, materials, and services that directly affect the quality of the Organization's products and services.

Responsibilities:

The Board of Directors shall have authority to approve all contracts including budgeted and non-budgeted items over $25,000.

Chief Executive Officer shall have authority to approve all contracts up to and including the amount $25,000 for all budgeted and non-budgeted amounts.

School Principal is responsible for initial supplier, contractor, and consultant (Collectively the "Supplier") identification and for collection of business information related to the potential supplier. School Principal shall have the ability to approve purchases up to and including the amount of $5,000.

Chief Financial Officer is responsible for approving contracts up to $10,000 that are within the approved budget.

Procedure:

1.0 VENDOR SELECTION

1.1 New vendors are to be evaluated using the following criteria:

- Pricing: competitive pricing is one component of the evaluation and may be out weighed by other factors. Pricing alone will not be a deciding factor unless all else is equal.
- Parts availability and shipping time frame.
- Performance capability (i.e., financial status, sufficient facilities, capability of equipment and employees, professional licenses, years of experience).
- Internal Quality Assurance program: Contractors undergo PEER Review, hold additional licenses, are given preference.
- Reference checks.
- Warranty information if applicable.
- Whether the vendor is debarred from receiving State and/or Federal funds

1.2 Ongoing evaluation of suppliers:

- On-Time Delivery, 100% on time expected (0 days early, 0 days late)
- Quality: (Items (or lots) rejected/Total items (or lots) received) X 100. Ratings less than 95% require corrective action. Exceptions to the 95% Corrective Action requirement may be given where the total quantity of items or lots received is small and at the Controller's discretion.

1.3 Qualified vendors will be maintained on an Approved Vendor List for purchasing. The approved list can be as simple as those vendors that are retained as "active" in the accounting system.

2.0 VENDOR INSPECTIONS

2,1 For critical components that the Organization desires to rely on the quality assurance of the vendor to reduce receiving inspection or testing requirements such as with high end computer parts, an on-sight vendor inspection may be performed and approved.

2.2 The Controller will coordinate with the Purchase Agent to plan, arrange and designate staff for all vendor inspections when considered necessary by the Chief Financial Officer.

3.0 VENDOR FILES

3.1 A vendor file will be prepared and maintained for all vendors on the Approved Vendor List, which will be used for significant or on-going purchasing. The vendor files will be kept alphabetically and should include the following:

- IRS W-9 Taxpayer Identification Certificate (a PDF download is available at: http://www.irs.gov/pub/irs-pdf/fw9.pdf)
- Resale certificates (only required for those that resell their purchases)
- Legal contracts, dealer or marketing agreements, etc.
- Long-term blanket purchase order commitments
- Proof of insurance
- Any other relevant correspondence or documentation

3.2 Form 1099 must be filed at year-end for the proper reporting of income to certain vendors. To determine whether or not one needs to be filed, all non-merchandise vendors should complete an IRS W-9 Request for Taxpayer Identification Number Certificate. A copy can be obtained via the IRS website (www.IRS.gov) or by contacting the local IRS office. The vendor indicates on the form the reporting status. Note: Incorporated vendors do not receive 1099s.

This applies to all contractors for service (repair person, accountant, consultant, etc) who are NOT incorporated, and to all lawyers, regardless of incorporation. It is important to make this determination before engaging the contractor so that all payments can be properly tracked for 1099 reporting purposes at the inception.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**2/16/15**	Segregation of Duties	Oswaldo Diaz, CFO

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SOP # PUR102 Revision: 2 **Prepared by: Central Office**

Effective Date: 11/12/15 **Approved by: BOD**

Title: PUR102 GENERAL PURCHASING

Policy: All purchases of goods and services shall be consistent with the Board-approved budget. The investment in supplies and capital equipment will be facilitated through the Purchasing Department, maintained at the lowest effective level and supervised consistent with a common set of procedures and controls as required by all regulatory and customer contract requirements.

Purpose: To outline the actions to be taken for 1) the procurement of supplies and capital equipment, 2) the completion of related documents.

Scope: This procedure applies to the purchase of all supplies and capital equipment for all departments within the Organization.

Responsibilities:

All personnel that require a product or service must complete a request in CoolSIS specifying items for purchase and obtain required approvals.

Chief Financial Officer and the Finance Department are responsible for using good purchasing methods, optimizing price savings, quality or value of products, vendor working relationships, placing orders with approved suppliers, negotiating pricing with suppliers, and forwarding all paperwork to EdTec accounts payable for payment.

EdTec accounts payable is responsible for payment of invoices only after satisfactory completion or delivery of goods or services has been made.

The School Site Personnel and Other Designated Individuals are responsible for receiving, inspecting materials, and forwarding all paperwork to a designated agent at EdTec.

Procedure:

1.0 ORDER DETERMINATION AND REQUISITION

1.1 Purchasing should obtain the optimal price for any purchases. All purchases above $5,000 require at least 3 quotes to be obtained. Quotes may be submitted by the requestor, Controller or the Purchase Manager can obtain the 3 quotes. The quotes are entered into CoolSIS along with evaluation and selection of the best option by the requestor. The Chief Financial Officer reviews the 3 quotes and forwards the recommendations to the Chief Executive Officer for final review and decision.

1.2 For purchases of goods and supplies, a request in CoolSIS will be prepared by the originating individual or department. The CoolSIS request should be completed and approved with the following items and any additional supporting documentation:

- Complete description with part or model numbers and link to website if available
- Engineering drawings and specifications
- Type, Class, Grade required
- Quantity required
- Date required
- Requesting department, account code, and allowance/resource code
- Recommended vendor or source if applicable
- Other requirements
- Special shipping requirements
- Special inspection requirements upon receipt

For the following purchases, additional information is required:

- Textbooks – Full ISBN
- Airline tickets - passenger(s) legal name(s), date of birth, gender, departure/arrival airport codes and exact dates
- Vehicle rentals - vehicle type, exact dates and exact pick up/drop off locations

1.3 If the requisition is for subcontracted services:

- A complete description of the service to be performed
- Engineering drawings and specifications if appropriate
- Requirements for qualification of personnel
- Other documents such as insurance forms, etc.
- Quality standards to be applied

1.4 Purchasing/Accounting will analyze terms, vendor, pricing, quantity breaks, etc., and will order accordingly in the Organization's best interest. Purchasing will notify the requester of any material variances prior to placement of the order.

1.5 Reimbursements for purchases made by staff will be processed upon proper authorization through CoolSIS.

2.0 ORDER PLACEMENT

2.1 Requestor is responsible for completing a purchase order form for all orders. This can be processed through CoolSIS. Purchase orders are exempted for items such as salaries and related costs, utilities, and instate travel, or where a contract exists.

2.2 If there are any requirements for items to be inspected at the supplier's or the Organization's premises by the Organization or our customer, the arrangements and method of product release shall be included in the purchasing information.

2.4 Buyers must review their purchase orders for accuracy. The buyer submits their authorization through CoolSIS indicating the review was performed.

2.5 Orders can be placed with the vendor either by telephone, fax, internet or mail. When placing orders by telephone, the vendor contact and date of order should be noted and a confirming copy of the order sent to the vendor. Pre-approval for any purchase is always required.

2.6 Purchasing is responsible for communicating with those receiving the supplies, following-up on shipping, delivery, and expediting and partial shipments of ordered items. Purchasing can either telephone vendors or use a PUR102 Ex1 PURCHASE ORDER FOLLOW-UP form to verify, trace or expedite orders.

3.0 RECORDKEEPING AND MATCHING

3.1 When Purchase Orders are issued, the Purchasing and Accounting copies will be placed in an Open File until the items are received. The Open File should be reviewed on a weekly basis to determine whether any orders need follow up.

3.2 Items will be received in accordance with procedure PUR103 RECEIVING AND INSPECTION. The completed vendor's packing list is kept at the site where the shipment was received.

3.4 For partial shipments, a note will be made in CoolSIS to identify the shipment as partially received. The original Purchase Order will be kept in the open file until all items are received.

Revision History:

Revision	**Date**	**Description of changes**	**Requested By**
0	**2/14/13**	Initial Release	
1	**2/13/15**	Segregation of duties and limits	Oswaldo Diaz, CFO
2	**11/12/15**	Inclusion of back-office service provider processes	Oswaldo Diaz, CFO

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PUR102 Ex1 PURCHASE ORDER FOLLOW-UP

To:

Date:__________________________

Please rush a reply to us by fax or telephone on the information requested below. Thank you.

Our Purchase Order #:____________

From:

Dated:__________________________

Please Respond To Our Request As Indicated Below

- ☐ Please rush shipment. Advise delivery date:_____________________________
- ☐ Has shipment been made? Advise carrier/date:___________________________
- ☐ Partial shipment received. Balance to ship when?________________________
- ☐ Can you ship in accordance with our requested date?______________________
- ☐ This shipment will be shipped via what?________________________________
- ☐ Price on Terms do not match quotation:________________________________
- ☐ Please review attached and confirm accuracy of all information and prices. Acknowledge below.
- ☐ These items are not taxable. Our Tax Exempt No. is _______________. Please revise invoice.
- ☐ Incorrect calculations on invoice noted. See attached and verify.
- ☐ Other____

Comments or Reply:____

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SOP # PUR103 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

TITLE: PUR103 RECEIVING AND INSPECTION

Policy: All parts, components, goods and materials will be received in an organized manner and inspected for conformance prior to stocking or use in order to provide an initial quality control inspection. Any items or shipments rejected will be properly quarantined from other inventory items until disposition.

Purpose: This procedure outlines the steps for the receiving and inspection of materials, components, or parts and the disposition of rejected items.

Scope: This procedure applies to the receipt of all purchases.

Responsibilities:

Anyone Performing the Receiving Function are responsible for receiving, inspecting materials, filing receiving documents at site, and marking purchase order as received.

Purchasing is responsible for accepting or rejecting damaged goods.

EdTec is responsible for payment of invoices.

The Finance Department will review and authorize all rejections.

Procedure:

1.0 RECEIVING

1.1 A "receiver" is any form used to record the specific types and counts of product or materials received. Usually, the receiver is provided by the vendor and is not part of the Organization's system at all.

An example of this would be a detailed packing slip, furnished by the vendor with the shipment. The packing slip should be kept at the school site.

All incoming product or materials are to be counted and reconciled with what was originally purchased. Discrepancies must be recorded.

1.2 All incoming shipments must be examined for apparent package damage. If the shipment has apparent damage, notify Purchasing/Accounting immediately. Purchasing will decide to either accept or reject the shipment from the carrier and/or file a freight claim.

1.3 If the shipment shows no signs of damage or the Purchase Manager or School Site Principal or designee has decided to accept a damaged shipment, count the shipping pieces (i.e., packages, boxes but not the contents; see Inspection below) and confirm with the bill of lading and note any exceptions (i.e., package damage or shortages).

2.0 INSPECTION

2.1 At the receiving holding area, each shipment should be unpacked and all items piece counted and matched to the packing list. If a packing list is not available, complete as an example PUR103 Ex1 RECEIVING AND INSPECTION REPORT.

2.2 The shipment will then be inspected for conformance according to the inspection level required for each part number (see PUR103 Ex3 INVENTORY INSPECTION LEVELS). If multiple part number classes are included in the shipment, each class will be segregated and inspected accordingly.

2.3 Any previously undiscovered damage to individual inventory items should be noted on the inspection report and immediately followed up with the vendor.

3.0 REJECTION, DISCREPANCIES AND DISPOSITION

3.1 Any count discrepancies will be noted on the packing list or as an example PUR103 Ex2 RECEIVING AND INSPECTION REPORT, signed and forwarded to Purchasing. Purchasing will then follow-up with the vendor to resolve the shipping discrepancy.

3.2 If there is a non-conformance discrepancy, the suspect goods will be red-tagged and separated (quarantined) from other parts and immediately placed in a separate holding area for disposition.

3.3 If only partial goods in the shipment are of non-conformance, the accepted goods should be noted on the paperwork and stocked or placed in use per above procedure.

3.4 Complete as an example PUR103 Ex2 RECEIVING AND INSPECTION REPORT for any rejected parts. Accounting will review and authorize all rejections and complete Part II of the report.

3.5 Goods found to be in conformance or suitable for their intended use and accepted by Accounting will have the red tag removed and be returned to the receiving area or location the product is needed for use. Accounting will note on the report the justification for any accepted parts and forward the report along with the packing list to the Purchase Manager.

Goods rejected by Accounting will continue to be quarantined and red tagged until disposed. Purchasing will determine and arrange for the appropriate disposition of rejected items (i.e., return to vendor for credit, scrap, etc.).

3.6 Unidentified shipments should be resolved by the Purchase Manager. Contact the Chief Financial Officer to resolve any suspicious looking packages.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Changes to responsibilities	Oswaldo Diaz, CFO

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PUR103 Ex1 RECEIVING LOG

Date	Sender	Carrier	# Pkgs.	Received By

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PUR103 Ex2 RECEIVING AND INSPECTION REPORT

PART I RECEIVING Date: ____________________

Vendor/Supplier/Subcontractor: ____

P.O. Or Contract No.: ____

Item No.	Description	INSPECTION Criteria	QUANTITIES Ordered	Received	Inspected	Accepted	Rejected

Received By:____________________________________

PART II INSPECTION

Inspected By:________________________________

Sample Lot

Conformance/Discrepancies to Specifications

Lot Size:______________

Sample Qty:___________

	YES	NO		YES	NO
Shipping Damage	❒	❒	Functional	❒	❒
Markings/Finish	❒	❒	Dimensions	❒	❒
Attributes	❒	❒	Other	❒	❒

Accepted:__________________ Date:_____________ Rejected:___________ Date:______

❒ Place in Stock

❒ Forward to Next Operation

Cause for Rejection:_____________________________

______________________________ ____

______________________________ ____

PART III REJECTED PARTS DISPOSITION

Return to Vendor

Conditional Acceptance Approvals

____ ____________________________________

Signature

Signature

Remarks:____

____

Further comments may be noted on back of report or additional sheets if necessary.

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PUR103 Ex3 INVENTORY INSPECTION LEVELS

The following are generic descriptions of the type of inspections that should be performed for various classes of inventory items. These descriptions are not completely comprehensive for all the possible types of inventory that can be received and therefore, the inspector should use appropriate judgment to determine any special inspection procedures that may be necessary for unique items.

The inspection levels are intended to be cumulative in that higher level inspections will also include all lower level inspection procedures.

The percentage of the total parts inspected will be according to the part number specifications. For example, an inspection level indication of "Level II, 25" would require that 25% of the parts received in the shipment will be examined at a Level II inspection.

If defects or rejected items are discovered within a shipment and less than a 100% inspection has been performed, the receiving inspector will consult with the Quality Control Manager to determine the appropriate action for assurance of the remainder of the shipment.

Level I: Visual inspection of the shipment or lot. Items appear reasonably to match packing list description(s). Nothing comes to the attention of the inspector as noticeable defects or as unusual and unordinary.

Level II: Actual hands-on visual inspection of individual parts. Each part inspected will be analyzed for the quality of workmanship and construction and the appearance of any defects.

Level III: A functional test of the part will be performed as appropriate for the item. For example, pneumatic parts should indicate function when attached to compressed air source; moving parts should rotate, slide etc.; electrical components should operate, light, etc.

Level IV: The part will be inspected against a set performance or measurement standard as indicated in the part file. For example, structural items will be measured for compliance to drawings within specified tolerances; electrical and mechanical devices will function according to specified performance standards.

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SOP # PUR104 Revision: 3 **Prepared by: Central Office**
Effective Date: 6/6/16 **Approved by: BOD**

Title: **PUR104 ACCOUNTS PAYABLE AND CASH DISBURSEMENTS**

Policy: Internal controls are required to ensure that only valid and authorized payables are recorded and paid. Accounting procedures should be implemented to ensure the accuracy of amounts, coding of General Ledger accounts and appropriate timing of payments. All accounts payable and cash disbursements will have documented pre-approval, and the authorization limits are stated in the below Responsibilities section.

Purpose: To explain the practices for documenting, recording and issuing payments for accounts payable transactions. (Note: Payments, disbursements, and expenditures result from accounts payable transactions)

Scope: This procedure applies to all purchases including, contractors, consultants, and merchandise and non-merchandise purchases.

Responsibilities:

The Principal at each school site is responsible for reviewing and approving payments under $5,000 in CoolSIS, in accordance with the approved budget.

The Chief Financial Officer is responsible for reviewing and approving payments up to $10,000 in accordance with the approved budget. The Chief Executive Officer may assign the Chief Academic Officer, the Chief of Staff, the Chief External Officer or Regional Directors the authority to approve expenditures up to $10,000.

The Chief Executive Officer is responsible for reviewing and approving payments over $10,000 in accordance with the board approved budget, as well as up to $10,000 for non-budgeted items.

EdTec is responsible for payment of invoices in a timely manner.

Background: Properly recording liabilities is generally a three-step process, particularly, for merchandise purchases.

The first step is recording the liability upon receipt of merchandise, using the purchase order estimates or other documentation as a guideline. For accuracy and timeliness of data, a liability should be recorded as soon as the Organization receives the purchased items.

Consultant projects are not recognized as a liability until the invoicing from the consultant is received unless and accrual has been recorded to recognize the total estimated cost of the consultant's services.

By necessity, this initial recording is usually an estimate or encumbrance and can be finalized when the actual invoice arrives. This is why a Purchase Order is so important for merchandise purchases. It documents the Organization’s understanding of how much each item will cost, per the vendor's terms. This includes estimates for freight and any other charges.

The second step takes place when the vendor's invoice is received. At this point the actual liability is finalized, with any necessary adjustments to the item costs, freight, or other charges.

The third step involves the preparation, issuance of payment for the goods received, and subsequent filing of all paperwork for easy retrieval.

Procedure Overview:

Cash disbursements are generally made for:

1. Payments to vendors for goods and services
2. Taxes/license fees
3. Staff training and development
4. Memberships and subscriptions
5. Meeting expenses
6. Employee reimbursements
7. Marketing/promotional materials

Checks are processed throughout the week.

Requests for cash disbursements are submitted to Accounting through CoolSIS. Documentation for CoolSIS requests can be in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

All invoices must be approved by the appropriate staff prior to being submitted to accounts payable. Accounts payable will determine the account code for each invoice.

Approvals for reimbursement requests must be obtained prior to the purchase. The Organization is not obligated to reimburse requests where prior approval was not obtained; however this decision is made at the discretion of the Chief Financial Officer.

Every employee reimbursement or purchase request must be documented in CoolSIS. Please see PUR106 Reimbursements for more details.

Requests for payment are reviewed in CoolSIS by the Principal, Controller, or Chief Financial Officer dependent on purchase amount. The appropriate personnel:

1. Verifies expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the School Site Accountant for processing

EdTec processes all payments and:

1. Immediately enters them into the Accounts Payable module unless it is paid upon receipt on the same day
2. Prints checks according to allocation and payment date provided by the authorizing party
3. Submits checks, with attached backup documentation, to Chief Financial Officer for approval and signature.
4. Stamps invoice "paid"
5. Mails checks and appropriate backup documentation
6. Files all backup documentation in the appropriate file
7. Monitors accounts payable throughout the month

Procedure:

1.0 DOCUMENTING ACCOUNTS PAYABLE

1.1 The following documents will be forwarded to EdTec accounts payable as a pdf batch for temporary filing and subsequent matching to form an accounts payable voucher package:

- Purchase Order from CoolSIS
- Vendor invoice
- Vendor/Consultant contract

1.2 Once EdTec has received all of the above documents, the following steps will be performed to ensure proper authorization, validity of purchase, receipt of purchased items or services and accuracy of amounts.

- The purchase order should be evaluated for proper authorization and the nature of the purchase and pricing as shown on the invoice reviewed for validity.

- The quantities shown shipped or delivered on the invoice will be compared to the packing slip and/or receiving reports if items have been received. Any discrepancies must be followed-up and resolved prior to commencing with the disbursement process.
- Calculations on the invoice will be recomputed such as quantities received multiplied by unit price and totals.
- Purchases of items and service contracts shall not be made in small quantities (split bidding) for the purpose of circumventing the authorized approval limits assigned by the Board of Directors, or to avoid public bidding based on the policies and procedures.

2.0 RECORDING NON-MERCHANDISE PAYABLES

2.1 Non-merchandise expenditures like utilities, rent, insurance, taxes, repairs, professional fees, etc., are generally not recorded through the purchase order routine. However, there may be other documentation, like contracts, requisitions, and other agreements. These should be filed in the applicable vendor file as documentary support. Upon receipt of the invoice, the charges should be entered into the payable system and coded to the appropriate expense account.

2.2 Generally, once invoices (both merchandise and non-merchandise) have been entered, they can be filed in the respective vendor files, ordered by date. To guard against misfiling an un-entered invoice, consider stamping "entered" on each invoice when it's recorded in accounts payable. It is also helpful to note the entered date and initial the entry.

3.0 PAYMENT OF ACCOUNTS PAYABLE

3.1 Accounts payable systems generally provide an aged accounts payable report and list the open payables within the accounting system. Open payables are reviewed by the School Site Accountant. The School Site Accountant should select the bills to be paid based on the funds available and a projection of cash flow or receipts over the coming week. Once complete, process the disbursements by either printing the check, electronic online bill pay, wire transfer, or ACH withdrawal for the selected bills to be paid.

Note: Accounts payable should normally be paid within seven days or sooner of their payment term unless otherwise determined by the Chief Financial Officer.

3.2 Any vendor credits which are amounts owed to the Organization should be applied to amounts currently owed to the vendor when determining payment. These are normally received in the form of a credit memo or adjusting invoice. These should be entered into the system like any other invoice and applied to the next payment being made. There is no reason to “age” a credit memo.

3.3 Pull all Invoices to be paid from the files and match them with the printed checks, wire transfer, electronic online bill pay, or ACH withdrawal documentation. Present the materials to the Chief Financial Officer for review and signing.

3.4 Immediately ensure that all printed checks, wire transfer, electronic online bill pay, or ACH withdrawal documentation are signed and approved and correctly recorded in the accounting system. Stamp the invoices "paid" to document they've been paid. Use only checks that incorporate a two stub plus check form in order to attach one stub to the paid invoice and the other to the remittance copy of the Invoice.

3.5 If one check or electronic online bill pay pays several Invoices then either photocopy the stub or print the electronic online bill pay screen print and attach a copy to each paid Invoice or consider attaching all paid Invoices to the one check stub or the electronic online bill pay document. File all resulting documentation according to check number sequentially in the checks paid binders.

3.6 Mail the checks as soon as possible once checks have been posted and "paid" by the system. It is not advisable to "hold" checks for additional days after posting. This practice usually occurs when there are insufficient cash flows. However holding checks increases the difficulty of projecting cash flow, reduces cash balance accuracy, and causes confusion when trying to reconcile accounts payable vendor balances. None of these balances will be accurate if printed checks are held back from mailing. If cash flow is insufficient to mail the checks, then it is advisable not to post and print checks in the first place.

4.0 MANUAL CHECKS

4.1 The Organization does not permit the use of manual checks.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**2/13/15**	Revision of Purchase limits	Oswaldo Diaz, CFO
2	**11/12/15**	Inclusion of back-office service provider process	Oswaldo Diaz, CFO
3	**6/6/16**	Policy revision	Oswaldo Diaz, CFO

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SOP # PUR105 Revision: 1 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **PUR105 PREPAID EXPENSES**

Policy: It is the policy of MERF to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, prepaids are only accounted for at the end of the fiscal year and the amount that is considered to be prepaid remains at the discretion of the Chief Financial Officer.

Purpose: To ensure the proper payment and accounting of expenses that have a future benefit allocated over time.

Scope: Any transaction that is currently paid that has a value that can be amortized over a future time period.

Responsibilities:

The Chief Financial Officeris responsible for reviewing and authorizing prepaid expenses.

The Finance Department with the support of EdTec is responsible for processing prepaid payments and amortizing the prepaid cost of the expected future life of the prepaid asset.

Background: Prepaid expenses are very common and allow the Organization to on occasion take advantage of pre-paying for certain expenses and thus recovering discounts or ensuring that a certain expense is fully paid.

Procedure:

1.0 ACCOUNTING TREATMENT

1.1 Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statements date shall be classified as non-current assets.

2.0 PROCEDURES

2.1 As part of the account coding process performed during the processing of accounts payable at the end of the fiscal year, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The Finance Department shall maintain a schedule of all prepaid expenses. The schedule shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization. This schedule shall be reconciled to the general ledger balance as part of the monthly closeout process.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**11/12/15**	Revision of responsibilities	Oswaldo Diaz, CFO

SOP # PUR106 Revision: 2 **Prepared by: Central Office**
Effective Date: 11/12/15 **Approved by: BOD**

Title: **PUR106 REIMBURSEMENTS**

Policy: Internal controls are required to ensure that only valid and authorized reimbursements are recorded and paid. Accounting procedures should be implemented to ensure the accuracy of amounts, coding of General Ledger accounts and appropriate timing of payments.

Purpose: To explain the practices for documenting, recording and issuing payments for reimbursement transactions.

Scope: This procedure applies to all reimbursements.

Responsibilities:

The Principal at each school site is responsible for reviewing and approving payments under $5,000 in Coolsis, in accordance with the approved budget.

The Chief Financial Officer is responsible for reviewing and approving payments up to $10,000 in accordance with the approved budget. The Chief Executive Officer may assign the Chief Academic Officer, the Chief of Staff, the Chief External Officer or Regional Directors the authority to approve expenditures up to $10,000.

The Chief Executive Officer is responsible for reviewing and approving payments over $10,000 in accordance with the board approved budget, as well as up to $10,000 for non-budgeted items.

EdTec accounts payable is responsible for payment of reimbursements in a timely manner. A timely manner is defined as within three weeks of submission.

Background: Properly recording reimbursements is generally a three-step process.

The first step is accurately submitting reimbursement receipts along with a reimbursement authorization form.

The second step is obtaining the appropriate authorization.

The third step involves the preparation, issuance of reimbursement payment in a timely manner, and subsequent filing of all paperwork for easy retrieval.

Procedure Overview:

Reimbursements are generally made for:

1. Travel and conferences
2. Mileage

3. Meals
4. School/classroom supplies
5. Allowable academic expenses
6. Student awards
7. Other expenses

Reimbursement checks are processed on three week cycle or sooner.

Requests for cash disbursements are submitted to Accounting through CoolSIS. Documentation for CoolSIS requests can be in three ways:

1. Original invoice
2. Purchase request (submitted on approved form)
3. Employee expense report or reimbursement request

All reimbursement requests must be approved by the appropriate staff prior to being submitted to accounts payable. Accounts payable will determine the account code for each invoice.

Every employee reimbursement or purchase request must be documented in CoolSIS with travel authorization, receipts, nature of business, program allocation, and funding source (if applicable) before approving for reimbursement as follows:

Travel and Conferences - an itemized receipt from the hotel detailing all charges, the person(s) for whom the lodging was provided, and the specific business purpose. This includes itemized receipts for parking, tolls and bridges, car rentals, taxis, and conference receipts. (See G&A103, Travel and Entertainment policy for more detailed information.)

Car Rentals – When possible, advance approvals are recommended. The employee is required to make their own car rental arrangements. Vehicle selection will be based upon the most cost-effective class that satisfies requirements for the employee(s) and any demonstration equipment.

Supplemental auto insurance coverage offered by car rental agencies must be purchased and will be reimbursed.

Mileage/Personal Vehicles - An employee required to use their own automobile for business will be reimbursed in accordance with the current IRS mileage reimbursement rate. The employee must provide on the expense report, documentation including dates, miles traveled and purpose of each trip.

The Organization assumes no responsibility for personal automobiles used for business. Further, any parking or speeding violation is the sole responsibility of the employee.

Meals and Entertainment - a receipt must be provided showing the cost of food, beverage, and gratuities, including the names of every person for whom food or beverage was provided, and the specific business purpose. Entertainment expenses are disallowed.

Meal and Entertainment tips are limited to 15% (unless automatically assessed by the eating establishment) of the pre-tax meal total cost and any tip that is in excess of the pre-tax meal total cost will not be reimbursed. For example, a meal that costs $10 may have an 8% sales tax bringing the total meal price before tip to $10.80. Figure the tip on the $10 amount at 15% or $1.50 and that amount of tip or less is reimbursable. If you tipped more than a $1.50, that difference is not reimbursable. You are always allowed to tip less than 15% should you choose to do so.

School/Classroom Supplies, Allowable Academic Expenses, and Student Awards – these expenditures are subject to the approval of the Principal. Gifts of any kind are never allowed. Student awards may only be paid from non-ADA and unrestricted sources. In other words, student awards may be paid from unrestricted fundraising or from other unrestricted sources of income, subject to approval of the Principal and/or Central Office.

Other Expenditures - a receipt from the vendor detailing all goods or services purchased (including the class of service for transportation) and the specific business purpose.

Non-Reimbursable Expenses - Some expenses are not considered valid business expenses by the Organization, yet may be incurred for the convenience of the traveling individual. Since these are not expenses for the business then they are not reimbursable. (The following can be used as a guide of expenses, which are not reimbursable)

Examples include:

- Airline or travel trip interruption insurance
- Airline or travel lounge clubs
- Shoe shine or Dry-cleaning (except for extended travel beyond 5 days)
- Movies or personal entertainment
- Books, magazines or newspapers
- Theft or loss of personal property
- Doctor bills, prescriptions, or other medical services

- Parking tickets, traffic tickets or Car towing if illegally parked
- Health club memberships
- Baby sitter or Pet care fees
- Barbers and Hairdressers

Requests for reimbursement payments are reviewed in CoolSIS by the Principal, Chief Financial Officer, or Chief Executive Officer, dependent on purchase amount. The appropriate personnel:

1. Verifies and matches expenditure and amount
2. Approves for payment if in accordance with budget
3. Provides or verifies appropriate allocation information
4. Provides date of payment taking into account cash flow projections
5. Submits to the School Site Accountant for processing

Accounts Payable processes all payments and:

1. Immediately enters them into the Accounts Payable module, unless paid upon receipt on the same day
2. Prints checks according to allocation and payment date provided by the approving party
3. Submits checks, with attached backup documentation, to Chief Financial Officer for approval and signature
4. Stamps invoice "paid"
5. Mails checks and appropriate backup documentation
6. Files all backup documentation in the appropriate file
7. Monitors accounts payable throughout the month

Procedure:

1.0 DOCUMENTING REIMBURSEMENTS

All business reimbursement expenditures incurred by employees of the Organization are reimbursed through CoolSIS. Reimbursement receipts must be submitted monthly and any receipt that is older than 60 days will not be reimbursed at the discretion of the Chief Financial Officer.

Expense report forms must be filled out completely. Required original receipts for items charged must accompany all reimbursement documentation as well as uploaded into CoolSIS. Any questions regarding completion of the report should be directed to the employee's supervisor or the accounting department.

Upon completion, the expense report along with all attachments should be submitted to the employee's appropriate supervisor in CoolSIS for approval. After approval, the expense report is submitted to the accounting department for processing and reimbursement. In order to expedite reimbursement, the employee should ensure that the report is completed properly, required documentation is attached, proper authorization is obtained, and any unusual items properly explained and documented.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/14/13**	Initial Release	
1	**2/13/15**	Amount limit changes. Mileage reimbursement rate.	Oswaldo Diaz, CFO
2	**11/12/15**	Inclusion of back office service provider and amount limit changes.	Oswaldo Diaz, CFO

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SOP # PUR107 Revision: 2 **Prepared by: Central Office**
Effective Date: 6/06/16 **Approved by: BOD**

Title: **PUR107 BIDDING REQUIREMENTS**

Policy: To ensure the establishment of bidding requirements relating to multi-year service contracts, and to maintain the internal controls of the selection process.

Purpose: To provide the methods for determining a bidding process, documentation requirements, and award of contracts.

Scope: This procedure applies to all vendors of services.

Responsibilities:

Purchasing Agent or School Principal is responsible for providing a summary and justification related to the potential proposal.

Selection Committee is responsible for the review and recommendation of all contracts over $25,000.

Chief Executive Officer and/or Chief Financial Officer is/are responsible for the examination of the bidding and selection process of all contracts above $25,000.

Board of Directors are responsible for the approval of all bidding contracts above $25,000.

Procedure:

1.0 BIDDING REQUIREMENTS AND PROCESS

1.1 New service contracts in excess of $25,000 shall be formally bid in accordance with the following:

- Request for Proposals (RFP): RFP requirements should include contract purpose, background, description of service, general information, time requirements, proposal requirements, and evaluation process.
- Public Notice: RFP will be posted in the Organization’s website.
- Prospective Vendors: Selection Committee shall maintain a list of prospective vendors for the various categories of products and services purchased by the organization. All schools or departments should refer prospective vendors to the purchasing department for inclusion in the bidder file.
- Pending Bid File: A file shall be maintained by the selection committee of all invitations to bid currently pending.
- Evaluation: Evaluation of services and vendors will be in accordance with the RFP specifications and policy PUR101 vendor selection.

- Bidder Files: Bidder files shall be maintained retaining the bids, bid comparison sheets, other submittals, and rationale in award. These bids shall be made available for the public upon request for a period of ninety (90) days after which time they will be archived for two (2) years.
- Bidding of contracts shall not be made in small quantities (split bidding) for the purpose of circumventing the authorized approval limits assigned by the Board of Directors, or to avoid public bidding based on the policies and procedures.

Vendor Selection Requirements			
	Less than $5,000	**Between $5,000 and $25,000**	**Greater than $25,000**
Bid process required?	No	Quotes or estimates	RFP
Acceptable forms of price comparison	N/A	Email, published catalogs, written	Written only
Minimum number of bids required	0	3	3
Submit bid documentation to the Procurement Office?	No	Yes	Yes

2.0 NONCOMPETITIVE NEGOTIATIONS

2.1 Noncompetitive negotiations may be used for procurements in excess of $25,000 when bidding or competitive negotiations are not feasible. MPS may purchase goods and services through non-competitive negotiations when it is determined in writing by the Chief Executive Officer that competitive negotiation or bidding is not feasible and that:

- An emergency exists which will cause public harm as a result of the delay caused by following competitive purchasing procedures, or
- The product or service can be obtained only from one source, or
- The contract is for the purchase of perishable items purchased on a weekly or more frequent basis, or
- Only one satisfactory proposal is received through RFP, or
- The charter authorizer has authorized the particular type of noncompetitive negotiation.

3.0 STANDARDS OF CONDUCT

The following Standards of Conduct shall govern the performance, behavior and actions of MPS including, employees, officers, directors, volunteers and agents, who are engaged in any aspect of procurement, including – but not limited to – purchasing goods and services; awarding contracts and grants; or the administration and supervision of contracts.

As representatives of MPS, all employees, officers, directors, volunteers and agents are expected to conduct themselves in a professional and ethical manner, maintaining high standards of integrity and the use of good judgment. Employees are expected to be principled in their business interactions and act in good faith with individuals both inside and outside MPS.

3.1 Conflict of Interest

- No employee, officer, director, volunteer or agent of the MPS shall participate in the selection, award or administration of a bid or contract supported by federal funds if a conflict of interest is real or apparent to a reasonable person.
- Conflicts of interest may arise when any employee, officer, director, volunteer or agent of the MPS has a financial, family or any other beneficial interest in the vendor firm selected or considered for an award.
- No employee, officer, director, volunteer or agent of the MPS shall do business with, award contracts to, or show favoritism toward a member of his/her immediate family, spouse's family or to any company, vendor or concern who either employs or has any relationship to a family member; or award a contract or bid which violates the spirit or intent of Federal, State and local procurement laws and policies established to maximize free and open competition among qualified vendors.
- MPS's employees, officers, directors, volunteers or agents shall neither solicit nor accept gratuities, gifts, consulting fees, trips, favors or anything having a monetary value in excess of twenty-five dollars ($25) from a vendor, potential vendor, or from the family or employees of a vendor, potential vendor or bidder; or from any party to a sub-agreement or ancillary contract.

4.0 ACCEPTANCE OF GRATUITIES

MPS's employees, officers, directors, volunteers or agents shall neither solicit nor accept gratuities, gifts, consulting fees, trips, favors or anything having a monetary value from a vendor, potential vendor, or from the family or employees of a vendor, potential vendor or bidder; or from any party to a sub-agreement or ancillary contract.

5.0 DISCIPLINARY ACTIONS

Any MPS member, employee or designated agent of MPS who knowingly and deliberately violates the provisions of this code will be open to civil suit without the legal protection of MPS. Furthermore, such a violation of these procurement standards is grounds for dismissal by MPS as an employee, officer, director, volunteer or agent; or other such sanctions as available under the law.

Any contractor or potential contractor who knowingly and deliberately violates the provisions of these procurement standards will be barred from future transactions with MPS.

Revision History:

Revision	Date	Description of changes	Requested By
0	**2/16/15**	Initial Release	Oswaldo Diaz, CFO
1	**3/10/16**	Policy Revision	Oswaldo Diaz, CFO
2	**6/06/16**	Policy Revision	Oswaldo Diaz, CFO

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