



**PULLMAN PUBLIC
COMMUNITY FREE
MONTESSORI K-9**

Pullman Community Montessori

Finance Committee (FC)

Date and Time

Tuesday May 18, 2021 at 5:00 PM PDT

Location

Keeping safety as our top priority, until further notice, all committee meeting will be conducted virtually over Zoom.

PCM's Mission: to prepare all students to reach their full potential for future success in high school, college, career, and life, using the rich resources of our community.

PCM's Vision: to serve as an instrument of change, helping to progress our education system to better meet the needs of students, families, and educators. We nurture students to be self-empowered lifelong learners, global citizens, environmental stewards, and compassionate and collaborative leaders, bringing positive changes to their communities and the world!

Agenda

I. Opening Items

- A. Record Attendance
- B. Call the Meeting to Order

'Grounding Questions' for the FC:

- Do we believe that our internal policies and procedures are being followed?
- What is our current cash balance, and is management confident in the organization's ability to meet short term cash needs?

- How are our actuals to budget performing for this fiscal year? If there have been material unfavorable variances, in expenses or revenues, what is being done to mitigate this?
- How are our "big projects" going? (ex: facilities, enrollment drives, hiring, etc).

REMINDERS

During the planning year (now to August 18, 2021), these are some overarching items that each FC member should be thinking about:

- How are our draft fiscal policies and procedures coming along?
- How are we tracking to budget overall?
- How is our cash balance and will we be able to meet our short term cash needs?
- How is enrollment doing?

C. Pleasantry

We will continue to build trust amongst this team. We will work little by little to do this! One small way though will be to get to know each other more.

Primer Question:

What was your first job?

D. Approve Minutes

Please review the prior meeting minutes in advance and come to the meeting with any amendments in writing that can be added to the Zoom chat. This makes recording changes quick and easy.

Approve minutes for Finance Committee (FC) on April 20, 2021

II. Finance Committee (FC)

A. Review & Approve April Financials

During this piece of the meeting, Matt and Laylah will share what the FC Committee should be "looking for" in order to build those habits and mindsets.

Please review the school financials below prior to the meeting. Please try to ask questions to Matt or Laylah in advance so we are prepared to vote at the meeting.

1. Dashboard (high level view of main metrics)
2. Balance Sheet
3. Profit & Loss Statement/Income Statement
4. Budget vs. Actual Report & Forecast vs Actual Report
5. Statement of Cash Flows

6. Month to Month

B. FPPM Changes

1. Language updated based on **requests and feedback from the Board**, detailed in this doc: [PCM FPPM Questions](#)
2. **Procurement policy updated**
3. **Leave days** language updated to match employee manual
4. **Shared Leave** policy added---Thank you
5. Other **non-material changes** including language to allow electronic filing of packing slips, removing unneeded forms from HR packets,

C. Apportionment (F203) Projections

D. Continued Review of 5-Yr Forecasts

The simplified 5 Year Budget workbook that PCM has been developing with JGP can be found in this packet.

We will break up our review into four separate topics and address them in the following order, topics not covered this meeting will be covered next meeting:

- **Revenues**
- **Staffing expenses**
- **School Operations expenses**
- **Facility expenses**

[Link to Slideshow](#) (no need to preview, this will be covered during the meeting)

E. Intro to Annual Budget (F195)

Matt & Laylah will provide overview of timeline for Annual Budget approval according to [WAC 392-123-010](#)

- July 10th is when the **proposed** annual budget is due (board hasn't voted on yet). Publish notice that it will be reviewed and adopted by Board at August board meeting.
- By August 31st the Board must meet in a public hearing to FIX and ADOPT said budget.
- September 3rd is the last day for the school to submit the adopted annual budget to OSPI.

III. Other Business

IV. Closing Items

A. Adjourn Meeting

Grounding Docs: [FC Description & Responsibilities](#) , [Norms-We are LEADERS too-Structure and Responsibilities Overview](#), [Bylaws](#) (read committees section), [PCM Logic Model](#), [Org Charts](#)

School Wide Evaluation Tools (model fidelity): [EEMPS Rubric](#), [School-Wide Reflective Practice Inventory](#)

Resources: [Planning Yr Financials Considerations](#), [Example Dashboard Review](#), [Contract](#), Commission Financial Performance Framework

Coversheet

Approve Minutes

Section: I. Opening Items
Item: D. Approve Minutes
Purpose: Approve Minutes
Submitted by:
Related Material: Minutes for Finance Committee (FC) on April 20, 2021

APPROVED



PULLMAN **PUBLIC**
COMMUNITY **FREE**
MONTESSORI **K-9**

Pullman Community Montessori

Minutes

Finance Committee (FC)

Date and Time

Tuesday April 20, 2021 at 5:00 PM

Location

Keeping safety as our top priority, until further notice, all committee meeting will be conducted virtually over Zoom.

PCM's Mission: to prepare all students to reach their full potential for future success in high school, college, career, and life, using the rich resources of our community.

PCM's Vision: to serve as an instrument of change, helping to progress our education system to better meet the needs of students, families, and educators. We nurture students to be self-empowered lifelong learners, global citizens, environmental stewards, and compassionate and collaborative leaders, bringing positive changes to their communities and the world!

Committee Members Present

A. Guyton (remote), C. Minogue (remote), L. Sullivan (remote), M. Paolini (remote)

Committee Members Absent

J. Cassleman

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

A. Guyton called a meeting of the Finance Committee (FC) Committee of Pullman Community Montessori to order on Tuesday Apr 20, 2021 at 5:02 PM.

C. Approve Minutes

A. Guyton made a motion to approve the minutes from Finance Committee (FC) on 03-16-21.

C. Minogue seconded the motion.

The committee **VOTED** unanimously to approve the motion.

II. Finance Committee (FC)

A. Review & Approve March Financials

A. Guyton made a motion to to approve March Financials.

C. Minogue seconded the motion.

Where did 'extra' revenue come from? -- WA Charters grant funding was released early (no new funding just timing).

How will high SPED population affect our budget? Laylah is gathering information on needs, conferencing with WA Charters, TMC, and Matt and will report at next meeting.

Will any SPED needs require specialized transportation? Laylah will follow-up at our next meeting.

Carmel advise we start soon on looking at a more detailed presentation of some of the financials.

Action Item: Matt-Aubree-Laylah meet and talk about month-over-month and moth-to-month for fiscal year presentation.

The committee **VOTED** unanimously to approve the motion.

Action Item: Matt-Aubree-Laylah meet and talk about month-over-month and moth-to-month for fiscal year presentation.

B. Continued Review of 5-Yr Forecasts

We tabled this for next meeting to make time to decide on the scope and sequence of the committees work.

C. Begin Scope and Sequence of Future FC Meetings

The team refined the scope and sequence for future work. Discussed when the best time to introduce the warrent process would be (late summer). PCM must undergo a SAO and private audit.

Action Items:

Laylah - email Kara Lowe about Annual budget due date (their calendar says July 10 RCW says Aug 31).

Laylah - check with WA Charters on when auditor should be secured.

Laylah - re-share potential board training materials with Aubree

III. Closing Items

A. Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:01 PM.

Respectfully Submitted,

A. Guyton

Grounding Docs: [FC Description & Responsibilities](#) , [Norms-We are LEADERS too-Structure and Responsibilities Overview](#), [Bylaws](#) (read committees section), [PCM Logic Model](#), [Org Charts](#)

School Wide Evaluation Tools (model fidelity): [EEMPS Rubric](#), [School-Wide Reflective Practice Inventory](#)

Resources: [Planning Yr Financials Considerations](#), [Example Dashboard Review](#), [Contract](#), Commission Financial Performance Framework

Coversheet

Review & Approve April Financials

Section: II. Finance Committee (FC)
Item: A. Review & Approve April Financials
Purpose: Vote
Submitted by:
Related Material: PCM P&L April 2021 (Alt).pdf
PCM Balance Sheet April 2021 (Alt).pdf
PCM P&L April 2021.pdf
PCM Year 0 Budget vs. Actual as of April 2021.pdf
PCM Finance Dashboard April 2021.docx
PCM Year 0 Forecast vs. Actual as of April 2021.pdf

Pullman Community Montessori

Profit and Loss

April 2021

	TOTAL		
	APR 2021	MAR 2021 (PP)	SEP 2020 - APR 2021 (YTD)
Revenue			
3100 Local donations	40,051.50	954.50	44,746.61
3501 Interest Income (Private)	0.01	0.03	0.23
3520 Private Foundations / Grants		52,500.00	102,000.00
5200 Federal - CSP	21,416.92	20,590.06	107,200.67
Total Revenue	\$61,468.43	\$74,044.59	\$253,947.51
GROSS PROFIT	\$61,468.43	\$74,044.59	\$253,947.51
Expenditures			
6010 Certificated - Instructional Management	7,666.66	7,666.66	42,333.30
6105 Classified - Executive Management	7,666.66	7,666.66	61,333.28
6107 Classified - Other Admin - Non -Instructional	5,629.82	4,120.44	20,295.76
7051 Social Security/Medicare/FUTA	1,603.67	1,488.22	9,483.12
7052 Worker's Compensation Insurance	127.58	109.98	659.52
7053 State Unemployment	394.11	365.71	2,038.56
8010 Legal	618.75	1,375.00	3,162.50
8035 Payroll & Accounting Services	2,500.00	2,500.00	20,000.00
8050 Contracted Services - Tech	640.00	640.00	1,280.00
8051 Contracted Services - Program Support / PD	1,460.00	2,960.00	26,330.00
8060 Dues & Memberships			579.00
8065 Interest Expense			5.41
8505 Board Expenses	833.33	833.33	6,666.64
8510 Classroom / Teaching Supplies & Materials	921.48		1,196.48
8530 Equipment / Furniture			3,699.53
8540 Technology - Hardware			2,509.51
8541 Technology - Software	716.75	715.20	7,686.83
8565 Office Expense	1,116.64	91.53	1,519.41
8570 Staff Development			175.00
8575 Staff Recruitment			2,214.56
8580 Student Recruitment / Marketing	144.21	1,731.95	6,732.57
9005 Insurance Expense	1,917.33	417.33	2,751.99
9015 Building and Land Rent / Lease		7,132.23	25,256.05
Total Expenditures	\$33,956.99	\$39,814.24	\$247,909.02
NET OPERATING REVENUE	\$27,511.44	\$34,230.35	\$6,038.49
NET REVENUE	\$27,511.44	\$34,230.35	\$6,038.49

Pullman Community Montessori

Balance Sheet As of April 30, 2021

	TOTAL		
	AS OF APR 30, 2021	AS OF MAR 31, 2021 (PP)	CHANGE
ASSETS			
Current Assets			
Bank Accounts			
1000 Cash Checking	72,636.57	60,935.80	11,700.77
1005 Cash MMA or Savings	1,095.23	1,095.22	0.01
Total Bank Accounts	\$73,731.80	\$62,031.02	\$11,700.78
Accounts Receivable			
1100 Accounts Receivable (A/R)	21,416.92	20,590.06	826.86
Total Accounts Receivable	\$21,416.92	\$20,590.06	\$826.86
Other Current Assets			
1150 Prepaids & Other Assets	26,235.91	13,988.59	12,247.32
Total Other Current Assets	\$26,235.91	\$13,988.59	\$12,247.32
Total Current Assets	\$121,384.63	\$96,609.67	\$24,774.96
Fixed Assets			
1501 Fixed Assets-Capitalized Equipment	10,362.60	10,362.60	0.00
1510 Facilities - In Progress	6,274.05	2,500.00	3,774.05
Total Fixed Assets	\$16,636.65	\$12,862.60	\$3,774.05
TOTAL ASSETS	\$138,021.28	\$109,472.27	\$28,549.01
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
2100 Accounts Payable	6,814.20	5,669.28	1,144.92
Total Accounts Payable	\$6,814.20	\$5,669.28	\$1,144.92
Other Current Liabilities			
2101 Accrued Accounts & Payroll Payable	11,549.02	10,709.22	839.80
2152 Workers' Compensation Tax Payable	180.31	450.84	-270.53
2153 State Unemployment Tax Payable	379.85	1,025.61	-645.76
2154 Paid Family Medical Leave Tax Payable	51.12	138.05	-86.93
2171 Use Tax Payable	805.87	749.80	56.07
Total Other Current Liabilities	\$12,966.17	\$13,073.52	\$ -107.35
Total Current Liabilities	\$19,780.37	\$18,742.80	\$1,037.57
Total Liabilities	\$19,780.37	\$18,742.80	\$1,037.57
Equity			
2998 Unrestricted Net Assets	57,202.42	97,202.42	-40,000.00
2999 Restricted Net Assets	55,000.00	15,000.00	40,000.00
Net Revenue	6,038.49	-21,472.95	27,511.44
Total Equity	\$118,240.91	\$90,729.47	\$27,511.44
TOTAL LIABILITIES AND EQUITY	\$138,021.28	\$109,472.27	\$28,549.01

Pullman Community Montessori

Profit and Loss

April 2021

	TOTAL
Revenue	
3100 Local donations	40,051.50
3501 Interest Income (Private)	0.01
5200 Federal - CSP	21,416.92
Total Revenue	\$61,468.43
GROSS PROFIT	\$61,468.43
Expenditures	
6010 Certificated - Instructional Management	7,666.66
6105 Classified - Executive Management	7,666.66
6107 Classified - Other Admin - Non -Instructional	5,629.82
7051 Social Security/Medicare/FUTA	1,603.67
7052 Worker's Compensation Insurance	127.58
7053 State Unemployment	394.11
8010 Legal	618.75
8035 Payroll & Accounting Services	2,500.00
8050 Contracted Services - Tech	640.00
8051 Contracted Services - Program Support / PD	1,460.00
8505 Board Expenses	833.33
8510 Classroom / Teaching Supplies & Materials	921.48
8541 Technology - Software	716.75
8565 Office Expense	1,116.64
8580 Student Recruitment / Marketing	144.21
9005 Insurance Expense	1,917.33
Total Expenditures	\$33,956.99
NET OPERATING REVENUE	\$27,511.44
NET REVENUE	\$27,511.44

Pullman Community Montessori

Year 0 Budget vs Actual

July 2020 - April 2021

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Revenue				
3100 Local donations	45,246.61	25,000.00	20,246.61	180.99 %
3501 Interest Income (Private)	0.23		0.23	
3520 Private Foundations / Grants	240,000.00	230,000.00	10,000.00	104.35 %
5200 Federal - CSP	107,200.67	453,200.00	-345,999.33	23.65 %
Total Revenue	\$392,447.51	\$708,200.00	\$ -315,752.49	55.41 %
GROSS PROFIT	\$392,447.51	\$708,200.00	\$ -315,752.49	55.41 %
Expenditures				
6010 Certificated - Instructional Management	42,333.30	95,833.33	-53,500.03	44.17 %
6105 Classified - Executive Management	76,666.60	99,666.67	-23,000.07	76.92 %
6106 Classified - Operations Staff		15,093.75	-15,093.75	
6107 Classified - Other Admin - Non -Instructional	20,295.76	13,248.00	7,047.76	153.20 %
6270 Certificated - Teachers - Regular		52,440.00	-52,440.00	
7051 Social Security/Medicare/FUTA	10,656.12	19,820.00	-9,163.88	53.76 %
7052 Worker's Compensation Insurance	731.60	2,402.00	-1,670.40	30.46 %
7053 State Unemployment	2,213.37	3,315.00	-1,101.63	66.77 %
8010 Legal	3,257.50		3,257.50	
8035 Payroll & Accounting Services	25,000.00	32,500.00	-7,500.00	76.92 %
8050 Contracted Services - Tech	1,280.00		1,280.00	
8051 Contracted Services - Program Support / PD	27,790.00	30,000.00	-2,210.00	92.63 %
8060 Dues & Memberships	579.00	1,500.00	-921.00	38.60 %
8065 Interest Expense	5.41		5.41	
8505 Board Expenses	7,916.64	10,000.00	-2,083.36	79.17 %
8510 Classroom / Teaching Supplies & Materials	1,196.48	100,000.00	-98,803.52	1.20 %
8530 Equipment / Furniture	3,699.53	100,000.00	-96,300.47	3.70 %
8540 Technology - Hardware	2,509.51	53,200.00	-50,690.49	4.72 %
8541 Technology - Software	7,686.83		7,686.83	
8565 Office Expense	1,630.14	2,000.00	-369.86	81.51 %
8570 Staff Development	175.00		175.00	
8575 Staff Recruitment	2,214.56	5,000.00	-2,785.44	44.29 %
8580 Student Recruitment / Marketing	7,482.57	5,000.00	2,482.57	149.65 %
9005 Insurance Expense	2,751.99	3,500.00	-748.01	78.63 %
9015 Building and Land Rent / Lease	26,134.69	57,528.00	-31,393.31	45.43 %
Total Expenditures	\$274,206.60	\$702,046.75	\$ -427,840.15	39.06 %
NET OPERATING REVENUE	\$118,240.91	\$6,153.25	\$112,087.66	1,921.60 %
NET REVENUE	\$118,240.91	\$6,153.25	\$112,087.66	1,921.60 %



	Metric <i>Description</i>	Result	Goal	Status	Notes
1.	Current Student Recruitment Count <i>Enrollment is the school's primary revenue driver</i>	84%	70%	○	<i>Goal at this point is 70% accepted and registered</i>
2.	Public Revenue Received as a % of overall budget <i>Measures rate of receipt of public funds to date</i>	24%	24%	○	<i>PCM is on track to spend all of the CSP planning grant (\$200k)</i>
3.	Private Revenue Received as a % of overall budget <i>Measures progress against fundraising goals</i>	104%	100%	○	<i>Private grants have gone over the budgeted amount (COVID grant)</i>
4.	Expenditures to date as a % of overall budget <i>Measures actual spending against planned spending</i>	39%	42%	○	<i>Large summer tech, furniture, and supplies purchases will push this up soon</i>
5.	Cash on Hand <i>Measures operational and financial stability</i>	\$73k	\$51k	○	<i>Current forecasts show PCM ending the year with \$51k in net income cash</i>

Additional notes for discussion:

Enrollment update

Food service update

jg^P

Pullman Community Montessori

Budget vs. Actuals: Forecast - FY21 P&L

July 2020 - April 2021

	TOTAL			
	ACTUAL	BUDGET	OVER BUDGET	% OF BUDGET
Revenue				
3100 Local donations	45,246.61	65,500.00	-20,253.39	69.08 %
3501 Interest Income (Private)	0.23		0.23	
3520 Private Foundations / Grants	240,000.00	275,000.00	-35,000.00	87.27 %
5200 Federal - CSP	107,200.67	550,959.00	-443,758.33	19.46 %
Total Revenue	\$392,447.51	\$891,459.00	\$ -499,011.49	44.02 %
GROSS PROFIT	\$392,447.51	\$891,459.00	\$ -499,011.49	44.02 %
Expenditures				
6010 Certificated - Instructional Management	42,333.30	73,600.00	-31,266.70	57.52 %
6105 Classified - Executive Management	76,666.60	99,666.67	-23,000.07	76.92 %
6107 Classified - Other Admin - Non -Instructional	20,295.76	44,985.70	-24,689.94	45.12 %
6190 Classified - Other - Non -Instructional		48,000.00	-48,000.00	
6270 Certificated - Teachers - Regular		48,885.00	-48,885.00	
7051 Social Security/Medicare/FUTA	10,656.12	25,339.00	-14,682.88	42.05 %
7052 Worker's Compensation Insurance	731.60	3,071.00	-2,339.40	23.82 %
7053 State Unemployment	2,213.37	4,238.00	-2,024.63	52.23 %
7054 Paid Family Medical Leave	0.00		0.00	
8010 Legal	3,257.50	5,000.00	-1,742.50	65.15 %
8035 Payroll & Accounting Services	25,000.00	32,500.00	-7,500.00	76.92 %
8050 Contracted Services - Tech	1,280.00	12,950.00	-11,670.00	9.88 %
8051 Contracted Services - Program Support / PD	27,790.00	67,600.00	-39,810.00	41.11 %
8060 Dues & Memberships	579.00	1,500.00	-921.00	38.60 %
8065 Interest Expense	5.41	10.00	-4.59	54.10 %
8505 Board Expenses	7,916.64	10,000.00	-2,083.36	79.17 %
8510 Classroom / Teaching Supplies & Materials	1,196.48	100,000.00	-98,803.52	1.20 %
8530 Equipment / Furniture	3,699.53	100,000.00	-96,300.47	3.70 %
8540 Technology - Hardware	2,509.51	71,500.00	-68,990.49	3.51 %
8541 Technology - Software	7,686.83	9,818.00	-2,131.17	78.29 %
8565 Office Expense	1,630.14	2,000.00	-369.86	81.51 %
8570 Staff Development	175.00	175.00	0.00	100.00 %
8575 Staff Recruitment	2,214.56	2,500.00	-285.44	88.58 %
8580 Student Recruitment / Marketing	7,482.57	8,000.00	-517.43	93.53 %
8595 Fundraising		4,750.00	-4,750.00	
9005 Insurance Expense	2,751.99	8,500.00	-5,748.01	32.38 %
9015 Building and Land Rent / Lease	26,134.69	55,466.00	-29,331.31	47.12 %
Payroll Expenses				
Wages	0.00		0.00	
Total Payroll Expenses	0.00		0.00	
Total Expenditures	\$274,206.60	\$840,054.37	\$ -565,847.77	32.64 %
NET OPERATING REVENUE	\$118,240.91	\$51,404.63	\$66,836.28	230.02 %
NET REVENUE	\$118,240.91	\$51,404.63	\$66,836.28	230.02 %

Coversheet

FPPM Changes

Section: II. Finance Committee (FC)
Item: B. FPPM Changes
Purpose: Vote
Submitted by:
Related Material: PCM Financial Policies and Procedures Manual (For Board).docx

PULLMAN COMMUNITY MONTESSORI



Financial Policies and Procedures Manual

*May
2021*

This document will describe the policies and procedures for the accounting and administrative functions conducted by Pullman Community Montessori. Management may amend this manual as needed to align with PCM District Accounting Manual for Washington State. The Board of Trustees is to review the manual every year. PCM will meet the Commission's Financial Performance Framework standards throughout the life of the charter contract. These policies may be updated by the BOT to ensure PCM policies and procedure ensure PCM meets this goal.

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INTRODUCTION

Pullman Community Montessori (PCM) is committed to developing and maintaining financial policies and procedures that ensure sound internal controls, fiscal responsibility, and accountability in accordance with the Generally Accepted Accounting Principles (GAAP), rules and regulations of the Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB). PCM will follow all the relevant laws and regulations that govern charter schools within the state of Washington. As a nonprofit organization, PCM is entrusted with funds granted by government agencies, private foundations, and individual contributors, and it will adhere to the highest standards of accounting. Clear financial policies and procedures will enable PCM to meet its financial needs and obligations, ensure long-term financial stability and viability, and protect its tangible assets and reputation.

Financial Policies

1. PCM shall comply with applicable laws, rules, and regulations in regards to financial matters and according to the terms of the contract by which it is bound.
2. Control procedures shall be in place to ensure the security of the organization's assets.
3. Timely and accurate financial information shall be produced to fulfill all reporting requirements and management needs.

Financial Leadership and Management

The financial management team of PCM consists of:

- Board of Trustees
 - Treasurer of the Board of Trustees
 - Board Finance Committee
- Head of School
 - Contracted Chief Financial Officer and Accounting support (Financial Consultant)

The day-to-day fiscal responsibilities of PCM are assigned to its fiscal staff. However, ultimate fiduciary responsibility for the overall management of the organization lies with the Board of Trustees.

The Board of Trustees will meet monthly to ensure that its fiduciary duty is maintained. PCM will establish a Finance Committee by the first full Board meeting. This committee will be responsible for selecting an audit firm on an annual basis, reviewing the financial policies and procedures manual on an annual basis, approving the annual budget, and working with PCM's finance team to review the monthly financial statements.

The Finance Committee of the Board of Trustees shall be responsible for the primary Board-level oversight of school financial matters, as defined by the Board. Head of School, supported by Financial Consultant, will have the primary responsibility of executing all financial matters. All members of the fiscal management team will work together to make certain that all financial matters of the organization are addressed with care, integrity, and in the best interest of PCM.

The Head of School is responsible for administering PCM's adopted policies and ensuring compliance with procedures that have been approved by the Board of Trustees. Exceptions to

written policies may only be made with the prior approval of the Finance Committee. Changes or amendments to these policies shall be conducted by the Finance Committee and approved by the Board of Trustees every year.

Any violation of these policies and procedures is considered to be cause for termination or removal and, depending upon the nature of the infraction, civil and/or criminal prosecution.

1

INTERNAL CONTROL STRUCTURE

Background

This manual describes the policies and procedures of PCM. The policies are designed to safeguard the assets of PCM, facilitate compliance with applicable law, and produce timely and accurate financial information in accordance with the Generally Accepted Accounting Principles (GAAP), rules and regulations of the Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB). It is the responsibility of the leadership team to safeguard the PCM's assets, which include cash, cash equivalents, and fixed assets. The contents of this chapter will demonstrate the internal controls that will be/have been implemented to assure assets are safeguarded appropriately.

The internal control structure is composed of five basic elements, described in detail below.

1. Internal Control Environment

The internal control environment reflects the importance PCM places on internal controls as part of its day-to-day activities. Factors that impact the internal control environment can include management and Board philosophy; organizational structure; ways of assigning authority and responsibility; methods of management and control; personnel policies and practices; and external influences such as significant donor expectations; and legal compliance requirements.

2. Accounting System

PCM has established an accounting system comprised of the methods and records used to identify, assemble, classify, record and report accounting transactions. The methods are set up to: (1) identify and record all of the organization's transactions; (2) describe the transactions in enough detail to allow classification for financial reporting, and (3) indicate the time period in which transactions occurred in order to record them in the proper accounting period.

3. Fiscal Year

The fiscal year is from September 1 to August 31.

4. Audits

PCM's audited financial statements must be approved by the Board of Trustees and provided to the appropriate oversight entity according to all applicable requirements.

5. Internal Control Procedures

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

Segregation of Duties: A hierarchical structure of authority and responsibility has been developed at PCM to ensure the separation of the custody of assets and recordkeeping. In situations where there are an insufficient number of employees to achieve this because of budget constraints, a compensating control has been, or will be, created at PCM. This protects PCM from potential fraud or misappropriation of funds.

- Compensating controls currently include, but not limited to:
 - Required designated Board member signature on checks over \$20,000.
 - Initial completion of bank reconciliations assigned to the Financial Consultant, then reviewed by Head of School.
 - Vendor payment initiation assigned to the Financial Consultant.
 - Initial approval of cash disbursements assigned to the Head of School.
 - Review and approval of cash disbursements by the Board.
 - All statements and records are readily available for review by the Board, including bank statements, credit card statements, and accounting records.

Organizational Chart:

- Head of School Reviews and approves all budgets; approves major capital expenses; approves and coordinates staffing changes and hires; approves compensation changes; approves all purchase orders and disbursements; completes investments.
- Office Manager: Orders school supplies for teachers and procures other items for the school as necessary; sends all invoices to the Accountant, with the proper approvals; collects and deposits funds from students/parents.
- Financial Consultant: CFO-support services, including: high-level financial leadership guidance, budget creation support, grant compliance support, variance reporting and analysis, and internal controls support.
- Accountant: ensures fiscal policies and procedures are being followed; enters journal entries as needed; completes bank reconciliations; creates purchase orders; prepares all financial reports; enters all invoices; cuts checks and prepares various EFT payments; mails checks;
 - Note: Currently, the Accountant position is being outsourced to a third party service provider, which is also providing CFO-support services. As such, the accountant and CFO The service provider will be identified as the Financial Consultant in the rest of this document.

Restricted Access: Physical access to valuable and moveable assets is restricted to authorized personnel. Authorized personnel include: Head of School, Montessori Coach, designated teachers, and the Office Manager. Technology consultants, if hired, will also have access as needed.

Document Control: In order to ensure that all necessary documents are captured by the accounting system, financial related documents must be dated when received, then filed sequentially by number or date. This can include, but is not limited to invoices, packing slips, contracts, etc.

Records Retention: To provide an accurate and auditable record of all financial transactions, PCM's

books, records, and accounts are maintained in conformity with generally accepted accounting principles as required by Washington law, applicable to charter schools. Records will be maintained for the periods sufficient to satisfy IRS regulations, federal grant requirements, OMB A133 audit requirements, if applicable, and other legal needs as may be determined. Record retention requirements are reviewed annually with legal counsel and independent auditors to determine any necessary changes.

Processing Controls: These are designed to identify any errors *before* they are posted to the general ledger. PCM's processing controls are the following: (1) Source document matching, when applicable (example: purchase approval and corresponding invoice); (2) Clerical accuracy of documents; and (3) General ledger account code checking.

Reconciliation Controls: These are designed to identify any errors *after* transactions have been posted and the general ledger has been run. The process involves reconciling selected general ledger control accounts to subsidiary ledgers. Reconciliation is completed by the Financial Consultant and approved by PCM's Head of School.

Annual Independent Audit: PCM's financial statements are audited annually by an independent audit firm selected by the Board of Trustees on the recommendation of the Finance Committee. The Finance Committee has the authority to request an entrance and exit conference with the auditor.

Security of Financial Data: PCM's accounting software is accessible only to the Head of School and the Financial Consultant. Individual ID codes and passwords are in place for every user and limit their access and functionality depending on their role within PCM. All other hard copies of financial data, when not in use, will be secured in a closet or cabinet at PCM. All financial data and source documents are backed up in case of data loss.

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

The Accounting Cycle

The accounting cycle is designed to accurately process, record, summarize, and report transactions of PCM. PCM will maintain their accounting records and related financial reports on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when services are incurred or goods are received.

The component bookkeeping cycles fall into one of five primary functions:

1) Revenue, Accounts Receivable, and Cash Receipts

Key tasks in this area include:

- Processing cash receipts
- Making deposits
- Recording cash receipts in the general ledger and subsidiary records

- Performing month-end reconciliation procedures
- Processing general ledger integration for private donations/revenue
- Processing wire transfers into school accounts

2) Purchases, Accounts Payable, and Cash Disbursements

Key tasks in this area include:

- Authorizing the procurement of goods and/or services
- Processing purchases (credit card, check, reimbursement)
- Processing invoices
- Issuing checks
- Recording checks in the general ledger and in cash disbursement journals
- Performing month-end reconciliation procedures
- Year-end reporting: Preparing 1099 forms
- Processing wire transfers out of school accounts

3) Payroll

Financial Consultant, an outside service provider, will perform the payroll process. Their responsibilities include calculating appropriate amounts for taxes to be remitted to the Federal, State and City government agencies and voluntary and/or statutory deductions that may or may not require remittance to retirement plan trustees, child support agencies, etc.

Key tasks in this area include:

- Obtaining and gathering payroll information
- Preparing payroll checks and depositing payroll taxes
- Submitting information to Financial Consultant for processing
- Performing quarterly reconciliation
- Preparing quarterly payroll tax returns
- Preparing W-2s, the W-3, and other annual payroll tax returns

4) General Ledger and Financial Statements

Key tasks in this area include:

- Preparing monthly journal entries
- Reconciling bank accounts and other general ledger accounts
- Reviewing general ledger activity and posting adjusted journal entries
- Producing the financial statements
- Producing the annual budget

The general ledger process consists of posting the period's transactions to QuickBooks (the accounting software), which produces the financial statements. The Financial Consultant will reconcile bank and credit card accounts, enter payroll, review the general ledger and prepare for the annual audit.

The Head of School presents monthly statements to the Board of Trustees at each board meeting. The required statements are outlined in the following section.

The Head of School is responsible for creating and updating 5-year budget projections for PCM. In addition, the Head of School, in consultation with the Montessori Coach and the Financial Consultant, will prepare the annual operating budget of income and expenses and the capital budget for PCM. These budgets and the 5-year projection are reviewed and approved annually, first by the Head of School, then by the Finance Committee of the Board and finally by PCM's Board of Trustees and modified as necessary, with approval by the last day of the closing fiscal year. This process is described below.

5) Budgets and Financial Reporting

The Laws

RCW 28A.505.050

RCW 28A.505.150

RCW 28A.505.170

RCW 28A.505.180

Budgets

PCM's budgets for the following fiscal year must be drafted for Board review and approved prior to the end of the current fiscal year. The budget may later be revised and approved as necessary. The approval of the budget becomes the legal authority to spend the organizations funds.

Budgets are created annually and updated on as needed basis according to actual expenditures and programmatic changes that occur during the year. Creation of the annual operating budget and capital budget is an iterative process led by the Head of School but requires input from the Montessori Coach and the Financial Consultant. This input is necessary to ensure enrollment is accurately represented per the charter agreement, and to make certain the staff can properly support the proposed number of enrolled students. Critical school program expenses should be represented in the budgets to ensure reality is properly reflected. Historical information is used when available and applicable. The iterative process is repeated until the overall budget fairly represents the revenues and expenses for the operating budget, as well as the cash requirements for capital expenditures under the capital budget.

State revenues are estimated by using Form F-203, Estimate for State Revenues. The data may be revised until the budget is adopted. The information supplied on Form F-203 is combined with other data and is used to estimate each district's state-funded allocations for each fiscal year

Upon completion of the budget, PCM shall publish a notice in accordance with RCW 28A.505.050 stating: That PCM has completed the budget. That the budget is on file at the school. That a copy of the budget will be furnished to any person requesting one. That the board of directors will meet for the purpose of fixing and adopting the budget of PCM for the ensuing fiscal year. The date, time, and place of the board hearing which shall occur no later than August 31 for Charter Schools. That any person may appear at the public hearing and be heard for or against any part of the budget. Notice of public meetings shall be published at least once each week for two consecutive weeks in a newspaper of general circulation in PCM Additionally, each fiscal year, PCM's adopted official budget document (Form F-195 and F195F), shall be submitted in the format prescribed by OSPI

Once complete, the Head of School presents the overall budget to the Finance Committee for review. If/when the Committee is satisfied, the budget is then presented to the entire Board for a vote of approval. The proposed budget must be submitted to the Commission by July 10th, if changes are made after July 10th, those must be communicated to the Commission by August 31st. The budget must be approved and passed before the start of the new fiscal year (August 31) and in accordance with the guidelines of the Office of the Superintendent of Public Instruction. Once approved, the implementation of, and accountability for, the budget is the sole responsibility of the Head of School.

After approval, the Financial Consultant uploads the budget into the accounting system. This budget is then used to run monthly budget vs. actual expense reports that are shared with the Head of School. Differences of more than \$10,000.00 AND 10% are described in the notes section. The Head of School is responsible for making sure that significant differences are thoroughly researched and ultimately identified as either permanent or temporary variances. In addition, the Head of School ensures the Financial Consultant produces contingency budgets with extreme issues.

From a day-to-day operational standpoint, the Head of School may work with the Treasurer of the Board of Trustees or the Chairperson of the Board of Trustees to resolve questions or issues related to the budget.

Budget Extensions

As expenses are reviewed during the monthly budget to actual reporting, PCM must complete a budget extension prior to incurring expenditures in excess of the total of such appropriations as required by RCW 28A.505.150. The budget extensions (Form F-200) must be filed in accordance with the procedures outlined in RCW 28A.505.170 and RCW 28A.505.180. The Board of Directors shall adopt a written resolution stating:

- The estimated amount of additional expenditures.
- The source of funding.
- The specific reason(s) for the extension. The reason(s) may be brief. For example: increased enrollment, purchase of equipment, increased salary demand, etc.

Financial Reporting

One week before each Board meeting, the following will be sent to the Finance Committee for review: (1) the budget vs. actual report for the operating budget; (2) the budget vs. actual report for the capital budget; (3) the Statement of Financial Position; and (4) the enrollment budget vs. actual report per grade for General Education and Special Education students. The Treasurer of the Board of Trustees will present these reports to the entire Board at each meeting. The Finance Committee may also request cash flow projections through the end of the fiscal year to identify the months that cash flow may run negative.

In addition, monthly budget vs. actual reports for the operating budget and capital budget will be produced by the Financial Consultant for the Head of School by the 21st of each month.

At the end of the year, the following key financial statements are produced:

- 1) Statement of Financial Position
- 2) Statement of Activity
- 3) Statement of Cash Flows
- 4) Statement of Functional Expenses

Quarterly financial reports for the Commission will be prepared by the Financial Consultant (third party service provider) and reviewed by the Head of School in compliance with generally accepted accounting principles. Such reports shall be submitted to the Commission 45 days after the quarter end for quarters 1, 2 and 3 and 180 days after the year end. The form of the quarterly reports will be determined by the Commission. Fourth quarter and year end reports shall be submitted with the annual independent financial audit.

PCM will comply with all necessary non-profit corporation financial and informational filing requirements, including IRS form 990.

3

SUMMARY OF ACCOUNT STRUCTURE

The Laws

RCW 28A.710.220

Assets

Types of Equity

In non-profit organizations, assets must be classified by nature and segregated between:

1. Net Assets With Donor Restrictions
2. Net Assets Without Donor Restrictions

PCM's assets are classified as with or without donor restrictions.

Cash and Cash Equivalents

All cash and cash equivalents of PCM consist of cash in PCM's bank accounts.

Grants Receivable

Grants receivable include money that PCM expects to receive from government or private sources. Donation letters or pledges are also considered grants receivable.

Property and Equipment

Property and equipment includes the assets used by PCM for activities and programs that have an estimated useful life longer than one year. For PCM, fixed assets primarily consist of musical instruments, classroom equipment, furniture, computers, and computer software.

Purchased property and equipment is recorded at cost. Donated property and equipment are recorded at fair market value at the date of donation. Acquisition costs include all costs necessary to bring the asset to its location in working condition, including:

- Sales tax, if any
- Freight
- Installation costs
- Direct and indirect costs, including interest, incurred in construction

Liabilities

Accounts Payable

Accounts payable include costs and expenses that are billed through a vendor invoice, and are recorded at the invoice amount. Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.

Capital Lease Obligation

PCM may lease office equipment under a capital lease. In such cases, payments of both principal and interest will be made monthly.

Accrued Liabilities

Salaries, wages earned and payroll taxes, along with professional fees, rent and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs.

Debt

When applicable, short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year and is recorded on the Statement of Financial Position as a long-term liability. All short-term and long-term debt is approved by the Board of Trustees and may not exceed the duration of the charter, without consent of the Board of Education. Loan agreements approved by the Board of Trustees should be in writing and should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

Per the Statement of Assurances signed in PCM's charter application, to the extent it issues secured and unsecured debt, including pledging, assigning, or encumbering its assets to be used as collateral for loans or extensions of credit to manage cash flow, improve operations, or finance the acquisition of real property or equipment, PCM shall not pledge, assign, or encumber any public funds, such as student enrollment reporting money or local levy money, received or to be received pursuant to RCW 28A.710.220.

Furthermore, PCM shall ensure that no debt incurred by PCM is a general, special, or moral obligation of the state or any other political subdivision or agency of the state.

Finally, PCM shall not pledge either the full faith and credit or the taxing power of the state or any political subdivision or agency of the state for the payment of the debt.

Revenue**Private Contributions**

PCM receives contributions from individuals, foundations, and corporations in the following forms:

1. **Unrestricted Contributions:** No donor-imposed restrictions.
2. **Temporarily Restricted Contributions:** Donor-imposed restrictions such as passage of time or specific use.
3. **Permanently Restricted Contributions:** Donor has placed permanent restrictions on the timing of use of funds, purpose of use of funds, and/or the use of earnings and appreciation.

Upon receipt of donation, donations are classified as unrestricted, temporarily restricted or permanently restricted.

For further information on the processing of donations, please see Chapter 2.

Expenses

Types of Expenses

Expenses are classified by functional classification and are matched with any donor-imposed restrictions.

Functional Classifications:

- a. ***Program Service Expense:*** the direct and indirect costs related to providing education and other services consistent with PCM's mission.
- b. ***Management & General Expenses:*** expenses for other activities related to the purpose for which the organization exists. These relate to the overall direction of the organization and include expenses for the activities of the governing board, business management, general record keeping, and budgeting.
- c. ***Fundraising Expenses:*** costs of all activities that constitute appeal for financial support and include costs of personnel, professional consultants, rent, printing, postage, telephone, etc.

The cost of providing the various programs and other activities of PCM will be summarized as part of PCM's annual OSPI reporting process.

2

PROCESSING CASH RECEIPTS AND REVENUE

Background

PCM records revenue on the accrual basis of accounting, consistent with generally accepted accounting principles.

PCM receives revenues from the following primary sources:

- Federal Government
- State Government
- City Government
- Corporations
- Foundations
- Individuals

If total federal support for the fiscal year should exceed \$750,000, an additional audit under the guidance of OMB Circular A-133 will be conducted.

The Laws

RCW Chapter 28A.710

Processing and Recording Cash Receipts

The Financial Consultant is responsible for recording cash receipts as well as various other functions.

The Office Manager sorts and delivers all mail. Any mail addressed to a specific staff member should be stamped as "Received" with the date, and transferred, unopened, to the addressee. Any mail addressed generally to PCM may be opened by the Office Manager or Head of School. All documents contained within should be stamped as "Received" with the date and initials of the person who opened the mail and transferred to the most appropriate individual. Credit card or bank statements should be transferred immediately to the Financial Consultant for review, payment, and filing.

The Office Manager may open mail that appears to contain a check and is addressed generally to PCM. Once opened by the Office Manager, all checks must be stamped immediately in the designated endorsement area with "For Deposit Only" and the appropriate bank account number and the name of PCM. The receipt of the check must be logged in the Cash Receipts Log, maintained as an ongoing worksheet. The check should then be copied and "copy" written on it. Any correspondence accompanying the check should also be retained. The check, check copy, and any accompanying documents should be electronically transferred in a secure manner to the

Financial Consultant. Physical checks and any accompanying documents are scanned and sent to the Financial Consultant. Once completed, all documents are sequentially filed in a locked cabinet at the school. The above tasks should not be completed by anyone who has direct use of the accounting system.

The Office Manager will staple the photocopy of the check and all correspondence (check copy on top) together and will be retained and filed sequentially in an electronic tracking system, original copies received in paper format will be kept in paper format in a folder or binder, sorted by bank account number and in date order.

When a donation is received, a pre-numbered contribution acknowledgement letter will be drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager.

Whenever reasonably possible, the Office Manager or Head of School will deposit all checks on the day received. At the latest, checks must be deposited no later than within 5 business days. Checks that cannot be deposited immediately will be placed in a locked location. Before depositing a check, the Office Manager or Head of School will prepare a deposit slip, copy it, and staple this to the copied check. When deposited, a deposit receipt with bank-endorsed proof of deposit will be obtained for each check. The office manager will scan and email the deposit slip and receipt to the Financial Consultant after the deposit is made. Paper copies are to be filed in the Cash Receipts Folder or Binder.

Deposits may be recorded either as cash receipts, invoices, or as general ledger entries. After the check has been deposited, the Financial Consultant records the receipt of funds in the accounting system, organized by check number, date, and name. If an invoice has already been created, then the deposit will be applied against the outstanding invoice(s). If not, a sales invoice is created, recognizing the revenue in the correct month(s). If the cash is not yet earned, it will be applied against the deferred revenues/unearned income general ledger account.

Processing and Recording Revenue

Typically, grants received will be accompanied by specific agreements that explicitly or implicitly restrict their use and impose unique reporting requirements, which are typically financial as well as performance related. PCM's accounting and documentation system must be such that it is capable of meeting the individual requirements imposed by such grant agreements. Job codes and/or class codes will be attached to applicable expenses and assets so that associated grant revenues may be earned on an accrual basis.

Inasmuch as the quality of grant agreements impacts its financial strength, PCM is committed to absolute adherence to this requirement in its reporting system. Accordingly, a reporting calendar shall be established wherein grantor accountability deadlines are tracked for compliance purposes.

Processing Wire Transfers into School Accounts

Government contracts which execute payments via wire transfer remit a wire transfer advice indicating the date and amount of the funds to be deposited in PCM's account. This wire transfer

advice is processed in the same fashion as a deposit to the bank; with mail opened by the Office Manager or Head of School and electronic delivery of wire transfer notices to the Financial Consultant. All relevant documentation (wire transfer advice, wire transfer confirmation, Cash Receipts Journal, etc.) will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

Processing and Recording Transfers within School Accounts

In order to maximize interest income, cash will be maintained in the escrow/savings account and transferred to the checking account, as necessary to meet OSPI's and the authorizer's funding requirements. PCM will also have two operating bank accounts, one meant for public funds and one meant for private funds. Typically the public account will be the operating account while the private account is the savings/escrow account.

Transfers between PCM bank accounts shall be made only when properly authorized. Only the Head of Schools, Board Chair, Vice-Chair, Finance Committee Chair, or the Treasurer can authorize transfers to and from the investment account – approval must be recorded by email. An email request is to be submitted directly to the authorized individuals listed above. A Cash Need/Wire Log will be up kept in order to record the transfers between the checking and investment accounts. In the event none of the individuals are available for approval, the Finance Committee of the Board of Directors will be able to approve transfers.

Once transfer is authorized by the proper individual(s) and executed, the Cash Need/Wire Log will be updated as such.

Revenue Recognition for Grants

In instances where grant funds are received in advance of PCM expending money applicable to the grant, the grant funds are recorded in the accounting system as deferred revenue or a liability until the applicable expenses have been incurred. If the grant funds are received after PCM has already expended money on goods or services that are covered under the grant, the grant funds can be recorded as revenue at the time of receipt. If PCM has expended part of the grant before receiving the actual funds, the only funds that may be recorded as revenues are those that have already been spent. Any remaining grant money must be recorded as deferred revenue or a liability until the time the funds are actually expended by PCM.

Pledges or Grants Receivable

To the extent that PCM solicits, accepts, and administers gifts, grants, and donations from individuals or public and private entities for the benefit of PCM and its students, PCM shall not solicit, accept, and administer any such gifts, grants, or donations from sectarian or religious organizations and shall not accept any gifts or donations the conditions of which violate Chapter 28A.710 RCW or any other state laws.

When revenues are earned yet the cash has not been received for all or a portion of the grant/pledge, a receivable is recorded in the accounting system. When PCM receives an Unconditional Pledge to Contribute, it will be acknowledged in a pre-numbered contribution acknowledgement letter drafted by the Office Manager, signed by the Head of School, and sent to

the donor by the Office Manager. The Financial Consultant will enter the amount of the pledge into the general ledger, discounting to their present value any pledges that go beyond a year. PCM will only recognize the pledge as revenue when it is actually paid to PCM, just as it does for all other restricted funding. The Financial Consultant will evaluate all Pledges to Contribute quarterly to verify that each item is still collectible.

Revenue Recognition for Per Capita funding

Per capita funding is paid by the state on the last business day of each month. In the instance that payment is not made in time, revenue will be accrued in the appropriate month.

Government Cost-Reimbursement Contracts

When an expense is incurred that is eligible for reimbursement through a government contract, the Financial Consultant attaches the appropriate Job/Class Code to the expense in the accounting system. The Financial Consultant compiles a monthly report of expenses with Job/Class Codes so that revenue can be recognized accordingly in that month.

Donated Goods and Services

Donated goods and services can include office space, professional services such as outside counsel's legal advice, food, clothing, furniture and equipment, or bargain purchases of materials at prices less than market value. In addition, volunteers can provide free services, including administrative services, participation in fundraising events, and program services that are not accounted for. The Financial Consultant records donated services in the system at fair value or avoided cost, as determined by the donor and documented in writing. When a good or service is donated to PCM, a pre-numbered contribution acknowledgement letter will be drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager. General Ledger entries are recorded to recognize the in-kind revenues and in-kind expenses.

Donated Materials and Supplies

Donated materials are recorded as contributions to inventory or expenses in the period received and are recorded at their fair market value at the date of receipt. If materials are donated for a specific use, they are considered to be temporarily restricted contributions. The Financial Consultant records donated materials and supplies in the system at fair value or avoided cost, as determined by the donor and documented in writing. When a material or supply is donated to PCM, a pre-numbered contribution acknowledgement letter will be drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager. General Ledger entries are recorded to recognize the in-kind revenues and in-kind expenses.

Donated Property and Equipment

Property donations received without donor-imposed stipulations are recorded as unrestricted contributions. When property or equipment is donated to PCM, a pre-numbered contribution acknowledgement letter will be drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager. General Ledger entries are recorded to recognize the in-kind revenues and in-kind expenses.

Donated Stocks

In the event that PCM receives donated stocks from a donor, the Financial Consultant records and values these stocks in the accounting system at the time of receipt. When stocks are donated to PCM, a pre-numbered contribution acknowledgement letter stating the value of the donated stocks will be drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager. General Ledger entries are recorded to recognize transactions related to the donation of stocks.

Accounts Receivable Aging

Accounts receivable outstanding are aged on a thirty, sixty, ninety, and over ninety-day basis. The Financial Consultant should review the accounts receivable aging monthly, determine which invoices are collectible, follow the necessary requirements based on the type of funding, and select which items to collect.

3

PROCESSING PURCHASES

Background

PCM records expenses on the accrual basis of accounting, consistent with generally accepted accounting principles.

By the adoption of the operating budget by the Board of Trustees, the Head of School becomes both responsible for, and generally authorized to expend, the amounts budgeted. This authorization may, however, be qualified by Board action based upon availability of funds. Such a qualification may necessitate a prioritization of expenditures based upon an incremental implementation of the organization's priorities.

The Laws

RCW 28A.710.040

RCW 28A.400.330 Crimes against children — Contractor employees — Termination of contract

Chapter. 39.34 RCW Interlocal Cooperation Act

34 CFR 80.36: <http://federal.elaws.us/cfr/title34.part80.section80.36>

Increased thresholds:

<https://www.federalregister.gov/documents/2020/07/02/2020-12763/federal-acquisition-regulation-increased-micro-purchase-and-simplified-acquisition-thresholds>

<https://smallgovcon.com/statutes-and-regulations/far-final-rule-increased-micro-purchase-and-simplified-acquisition-thresholds/>

2 CFR Part 200—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

2 CFR 200.67 Micro-purchase

2 CFR 200.88 Simplified Acquisition Threshold

2 CFR §200.318 – General Procurement Standards

2 CFR 200.320 Methods of Procurement to be Followed

2 CFR 3485 Nonprocurement Debarment and Suspension

2 CFR 200.520 Criteria for a low-risk auditee

Capital Budget Authority

While a capital budget may be approved, the authority of the Head of School to solely commit to individual expenditures under that budget is limited to \$40,000.00 per transaction. Commitments for capital expenditures exceeding that amount must have the co-signature of either the Board Treasurer, Chairperson of the Board, Vice-Chair of the Board, or the Chair of the Finance Committee. A capital expenditure is defined as an expenditure for fixed assets exceeding \$5,000.00.

Procurement, Bid, and Request for Proposal Requirements

The School recognizes the importance of:

- maximizing the use of school resources;
- the need for sound business practices in spending public money;
- the requirement of complying with state and federal laws governing purchasing and public works;
- the importance of standardized purchasing regulations; and
- the need for clear documentation.

Depending on the type of funds used, the School utilizes the guidelines below.

1) Procurement using Federal Funds

Procurement requirements for federal programs using federal funds are detailed in 34 CFR 80.36.

i. Types of Procurement & Thresholds

There are four types of procurement according to the Code of Federal Regulation section 80.36 of Title 34:

- Micro-purchases (\$10,000 or less)
- Small purchases (\$249,999 or less)
- Noncompetitive proposals
- Competitive proposals (\$250,000 or more)

ii. Procurement Processes

Based on the total amount of each purchase, the following rules are used when making purchases with Federal funds:

- Micro-purchase: purchases of \$10,000 or less do not require quotes. However, the School must consider the price to be reasonable, and, to the extent practical, distribute purchases equitably among suppliers.
- Small purchases: Purchases between \$10,000 and \$250,000 must be procured using price or rate quotations from a reasonable number (at least 3) of qualified sources.
 - Quotes can be solicited directly from a vendor by phone or email
 - Quotes should be filed electronically as needed, as well as an attempt made to document the reason why a vendor was chosen (price, quality, etc)
- Competitive proposals: must be publicly solicited using sealed bids or requests for proposals.
- Noncompetitive proposals: described below.

Competitive proposal procedures: the School will follow the format competitive bidding process by:

- A.** preparing clear and definite plans and specifications for such purchases;
- B.** providing notice of the call for formal bids by publication in at least one newspaper of

- general circulation at least once each week for two consecutive weeks;
- C. ensuring that the School takes steps to assure that when possible, the School will use small and minority businesses, women’s business enterprises and labor surplus firms;
 - D. providing the clear and definite plans and specifications to those interested in submitting a bid;
 - E. requiring that bids be in writing;
 - F. opening and reading bids in public on the date and in the place named in the notice; and
 - G. filing all bids electronically and sequentially after opening.
 - H. the School will publicly open and read formal bids on the date, time, and place named in the notice and then will file the bids. Any interested member of the public may attend the bid opening. It will be the bidder's sole responsibility to see that the School receives their bid prior to the time set for opening of bids. The School will return any bid received after the time set for opening the bids to the bidder unopened and without consideration. The School will accept proposals in the place named and no later than the date and time named in the notice.
 - I. Formal bid or proposal tabulations may be presented at a meeting of the School for study purposes;
 - J. The School will award formal contract to the winning bidder, based on a bid evaluation matrix developed at the time, the matrix can include, but not limited to:
 - a. Price
 - b. Quality, Experience, & Expertise
 - c. Local, or in-state, vendor
 - d. Prior experience with vendor
 - e. The winning bidder will be notified by email, phone, or written letter.

Noncompetitive proposals, also known as “sole source,” are permitted only in four instances:

- Acquiring property or services that do not exceed \$10,000
- Emergency (such as a fire, flood, hurricane).
- Authorized by awarding agency (such as OSPI, US Department of Education).
- After solicitation of a number of sources, competition is inadequate (such as only one reply).
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The awarding agency (e.g., OSPI) authorizes noncompetitive procurement in response to a written request from the School; or
- The item is available only from one source (must be adequately documented).

The School must maintain documentation supporting the applicable circumstance for noncompetitive procurement.

iii. *Suspension and Debarment*

Before entering into federally funded vendor contracts for goods and services that equal or exceed \$25,000 and any subcontract award, the district will ensure the vendor is not

suspended or debarred from participating in federal assistance programs.

iv. Conflict of Interest

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by federal funds if he or she has a real or apparent conflict of interest. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

No employee, officer, or agent of the district may solicit or accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. Violation of these standards may result in disciplinary action including, but not limited to, suspension, dismissal, or removal.

2) Procurement using State Funds

State competitive bid law for traditional public schools (RCW 28A.335.190) do not apply to charter schools, as it is not one of the state laws that is specifically made applicable to charter schools in the charter law at RCW 28A.710.040. The School still understands the importance of competition in obtaining the best value, as such, the following procedures will be used when purchasing with State funds.

A. Types of Procurement & Thresholds

- Micro-purchases (\$40,000 or less)
- Small purchases (\$249,999 or less)
- Noncompetitive proposals
- Competitive proposals (\$250,000 or more)

B. Procurement Processes

The processes to be followed are the same as for Federal funds detailed above.

C. Interlocal Cooperation Act

The School reserves the right to enter into inter-local cooperative agreements for purchases and public works with other governmental agencies pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW.

E. Crimes Against Children

The School will include in any contract for services with an entity or individual other than an employee of the district a provision requiring the contractor to prohibit any employee of the

contractor from working at a public school who has contact with children at a public school during the course of his or her employment and who has pled guilty to or been convicted of any felony crime specified under RCW 28A.400.322. The contract shall also contain a provision that any failure to comply with this section shall be grounds for the district immediately terminating the contract.

III. When using Private Funds

The School will follow the following procedures when purchasing with private funds.

A. Types of Procurement, Thresholds & Procedures

- Regular purchases (\$74,999 or less): one (1) quote required.
- Large purchases (\$75,000 or more): three (3) quotes required.
- o Quotes can be solicited directly from a vendor by phone or email
- o Quotes should be filed electronically as well as an attempt made to document the reason why a vendor was chosen (price, quality, etc)

Competitive proposals are not required when using private funds.

IV. Blended Purchases

When using a mix of funds for a purchase (example: State and Federal), the most stringent procurement rules must be followed.

Purchase Approval

Approval to fulfill a purchase order is garnered by first filling out a Purchase Request form. Any staff member may fill out a Purchase Request form. Once complete, the form is submitted to the Head of School or, in the case of instructional staff submitting a request, to the Montessori Coach, for an approval signature. The Purchase Request form is reviewed by the proper individual, signed to indicate approval, and returned to the requesting employee. The employee is responsible for transferring the approved Purchase Request form to the Office Manager for processing.

In the event that an item must be purchased and the proper signatory is not available to provide an in-person signature, the signatory may send an email stating their name and granting permission to execute the purchase. All such correspondence must be retained and filed with the corresponding purchase documents.

Purchase orders are not required for the Head of School to place a purchase.

Reimbursable Expenses

If necessary, teachers may purchase supplies directly from vendors and apply for reimbursement.

Teachers may only acquire up to \$1,000.00 worth of materials under this policy per academic year. A detailed description of reimbursement policies can be found below.

Issuance and Monitoring of Purchase Orders

The Financial Consultant works closely with the Head of School to ensure that all necessary instructional and administrative purchases are made in a timely and cost-effective manner and, when applicable, in accordance with grant restrictions.

For all products and services that need to be ordered by any other employee than the Head of School, a Purchase Request form must be filled out and approved, as outlined above. The approved Purchase Request form is submitted to the Office Manager for processing. The Head of Schools, Office Manager, and Financial Consultant is responsible for ensuring adherence to PCM's procurement guidelines and determining whether the order exceeds the thresholds requiring competitive bidding. All purchasing thresholds apply to the entire order, not single items. For instance, although one computer may cost \$1,500.00 (under the \$40,000 threshold requiring competitive bidding), if 27 computers are being requested, the order total will be \$40,500.00 (above the \$40,000 threshold), and as such, require bids from at least three vendors. The Head of Schools and Office Manager are responsible for conducting all competitive bidding procedures, when required. In these cases, all documentation of applicable bids and/or quotes obtained will be retained and filed in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

The Head of Schools and Office Manager will coordinate with the Financial Consultant to create a Purchase Order (PO) when necessary. All Purchase Orders must be approved by the Head of Schools, either by an in-person signature or by email.

Once the Purchase Order is approved with the proper signatures, the Office Manager reviews the PO for accuracy of dates, account coding, quantities, and arithmetic extensions. The Office Manager of Head of Schools then sends the order to the vendor, accompanied by any required documentation. Once ordered, the Office Manager will retain and file them sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder

Receipt of Goods

All goods purchased by PCM are delivered directly to PCM. It is the responsibility of the Office Manager to sign for delivery. The Office Manager is also responsible for opening the box(es) and obtaining the packing slip(s). The packing slip will be reviewed for accuracy, checked against the original PO, stamped as received and signed by the Office Manager. If everything is correct and the contents of the entire purchase were received and documented on the packing slip, the packing slip will be scanned electronically and filed appropriately.

If everything is not correct with the order, the Office Manager will contact the vendor for a return/credit to the account. When discrepancies occur, they are investigated and resolved by the Head of School.

Reimbursable Expenses

In situations where a purchase is required in short order and the total of the purchase is under \$1,000.00, staff may make the purchase with their own funds and apply for reimbursement. Please note, teachers may only acquire up to \$1,000.00 worth of materials under this policy per academic year. In the event that the Head of School requires reimbursement, the Treasurer of the Board must approve their expenses.

Receipts are required for all expenditures requiring reimbursement. Once expenses have been incurred, requests for reimbursement should be made within 30 days of expense via an Expense Reimbursement form. All receipts should be taped onto blank sheets of paper and attached to the form. These documents are submitted to the Head of School for review and approval.

Only expenses with an educational purpose will be considered for reimbursement.

If an employee is issued a credit card, their use of the card should be limited to business expenses, and they are responsible for ensuring that all receipts for purchases are turned in as purchases are made.

Travel Expenses

Travel arrangements will be purchased using PCM credit card when possible. In situations where expenses are incurred during the course of business travel, staff may apply for expense reimbursement. No single purchase made while traveling may exceed \$300.00. Expectations for daily expenses or per diem allowances will be determined prior to the employee trip. Employees should file for reimbursement in the manner described in the above section. Receipts are required for all expenditures requiring reimbursement, and requests for reimbursement must be made within 30 days of expense. In the event that the Head of School requires travel reimbursement, the Treasurer of the Board must approve their expenses.

Mileage Reimbursement

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

All employees requesting such mileage reimbursement are required to furnish a Travel Report containing the destination of each trip, its purpose and the miles driven, parking fees, and tolls. All corresponding receipts must be taped to blank sheets of paper and attached to the Travel Report. This packet must be submitted to the Head of School for approval within 30 days of the travel date in order for the employee to receive reimbursement.

Credit Card Purchases

PCM's credit cards will be provided to the Head of School and Montessori Coach. Credit card use is to be generally restricted to the making of travel arrangements for trustees and staff and for making arrangements with hotels and conference facilities for approved travel and meetings. The credit card can also be used for accounts payable or other day-to-day transactions only if absolutely necessary. The credit card may be used for capital expenditures, but all approval and

budgetary restrictions as outlined in this policy manual shall apply.

Credit card purchase requests may be approved solely with the signature of the Head of School via the Credit Card Purchase Request form. In the event that an item must be purchased and the Head of School is not available to provide an in-person signature, the signatory may send an email stating their name and granting permission to execute the credit card purchase. The purchase may then be executed. Any and all such correspondence must be retained and filed with the corresponding purchase documents.

Once the form is returned to the requestor with proper approval, the cardholder may execute the purchase, making sure to retain all receipts.

The approved Credit Card Purchase Request form and receipt(s) are submitted to the Financial Consultant for processing. This includes the coding of each expense for the month, so that each can be properly recorded. If there is any question as to how to code a particular expense, the Head of School consults with the Consulting Financial Officer for clarification. If the Head of School is unavailable, the unclear expense is booked to the suspense account, which will be cleared when the month-end financials are produced or as the Head of School is able to respond. The Financial Consultant pays all monthly credit card bills in full. The charges are entered in the accounting software by the Financial Consultant and reconciled by the Financial Consultant. All bills and invoices will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

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PROCESSING CASH DISBURSEMENTS

Processing Invoices

All invoices are mailed to PCM directly. The Office Manager is responsible for sorting, opening, signing and dating all invoices.

If an invoice is received prior to receipt of goods, the Office Manager scans and files the invoice in an electronic tracking system for unapproved invoices. The unapproved invoices file is to be reviewed weekly to ensure approval is eventually received and the invoice is paid on time.

Once the goods have been received (or in the case that the shipment had already been received at the time of invoice arrival), the Office Manager staples the invoice to the top of the corresponding packet composed of packing slip, purchase order, and Purchase Request form. This expanded packet is now a complete Cash Disbursement packet (invoice/packing slip/purchase order/purchase request).

In instances where invoices cannot be obtained and a payment is required, a Check Request form is filled out. In this case, any applicable documentation to back up payments requested should be attached. The Check Request form will document the payee, payment due date, amount of payment, etc.

Invoices shall be processed at least monthly by the Financial Consultant. The Financial Consultant establishes the vendor file in the accounting system and reviews the invoice for any purchase discounts dates and properly captures the discount period in the system. The Financial Consultant enters invoices into the accounting system with the correct general ledger codes.

Cutting Checks

The Head of School will maintain all blank check stock in a locked location. All checks will be pre-numbered, voucher style, containing one stub for the vendor (attached to all outgoing checks) and one to be filed by the Financial Consultant with all supporting disbursement documents.

Checks are run on a bi-weekly or monthly basis, and vendors are paid based on terms of the invoices, as recorded within the system. Check preparation and signatures (or approval) are prepared not later than the due date, consistent with available discounts if available.

The Head of School, Treasurer of the Board of Trustees, and Chairperson of the Board of Trustees are signatories on the checking account. The Head of School's limit on approval is \$20,000 – if a check is for more than this amount, a second approval from the Treasurer or Chairperson of the Board is required.

The Financial Consultant must obtain one, or two if needed, of the individuals listed above's approval prior to processing any cash disbursement.

The Financial Consultant utilizes an online bill pay system that sends checks to vendors. The Financial Consultant processes payment for approved invoices by creating a check payment listing for approval. The listing is sent electronically to the required signatories (see above) for approval, along with the corresponding Cash Disbursement packet (invoice/packing slip/purchase order/purchase request/email approval). Approval may be in written form or by email. At the time the listing is approved, any required signatories should review the supporting documentation to ensure they are approving a check for the correct amount and to the correct payee. The check stub or copy of the check(s) will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder. The Financial Consultant utilizes the online bill payment system to send payment to the vendor awaiting payment. Electronic fund transfers may also be used, where the same authorizations as checks will be obtained.

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

Any and all voided checks should be stamped "void" with the date and filed in the Cash Disbursements Binder in check number order.

Online/Phone/Fax/EFT Payments

Payments made online or by phone, fax, or electronic funds transfer (EFT) may be processed by the Financial Consultant if approved by the proper signatories (detailed above). Any such payment is documented by electronically filing a copy of the receipt. The Accounting software creates journal entries based on the vendor as cash is credited and the appropriate expense type is debited. Electronic payments will be recognized in the Accounting software just as if it were a check, by entering a unique transaction number in place of the check number. The Electronic Cash Disbursement packet, composed of proper approval, invoice, and any other supporting documentation, will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder.

Recurring Expenses

Recurring expenses do not require any sort of special treatment. Payments for goods and services that are required on a regular basis (e.g. equipment lease, insurance payments, rent) are handled in the same manner as non-recurring expenses, as described above.

Accounts Payable Aging

Accounts payable outstanding are aged on a thirty, sixty, ninety, and over ninety-day basis. The Financial Consultant should review the accounts payable aging monthly, determine the available cash balances while taking into consideration other cash requirements in the near future, and select items to pay.

Petty Cash Account

It is the policy of PCM not to use petty cash and instead to reimburse employees for pre-approved expenses.

Insurance Coverage

Insurance coverage is maintained pursuant to applicable law.

The Board of Trustees and Head of School will conduct a semiannual review of coverage amounts. The purpose of this review will be to ensure there are adequate means by which to preserve PCM's assets and lower the risk of being underinsured. Any proposed changes must be approved by the Board of Trustees and recorded in board meeting minutes. New coverages will be executed by the Head of School. The Head of School is responsible for procuring annual renewals with PCM's insurance broker. Quotes for renewal will be procured at least one month in advance of a policy's expiration, and presented to the Head of School for review and approval. The Treasurer of the Board of Trustees participates in this review.

The Head of School maintains original, or electronic, copies of all insurance policies at PCM will be retained and filed sequentially in an electronic tracking system, and original copies received in paper format will be kept in paper format in a folder or binder. A new binder or folder is created for each fiscal year. When possible, copies of all current insurance policies are saved electronically on a server where the leadership team can view and access the information.

PCM requires proof of adequate insurance coverage from all prospective contractors, as deemed applicable by the Board of Trustees.

Political Contributions

No funds or assets by PCM may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. PCM also cannot be involved with any committee or other organization that raises funds for political purposes.

Examples of prohibited activities are:

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

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MANAGEMENT OF CASH

Accounts

PCM banks with Banner Bank and has a total of two bank accounts. Both will be checking accounts, with two accounts maintained to ensure the segregation of public and private funds (at the school's discretion, if desired). The PCM accounts have 3 Authorized Signers: the Head of School, Treasurer of the Board of Trustees, and Chairperson of the Board of Trustees.

In the event PCM wishes to open a new bank account, board approval is required. As part of the approval, the Board must describe the purpose of the account, signatories, and signatories' authority. The vote to approve and all associated determinations must be recorded in the board minutes. Should PCM wish to close a bank account, Board approval is also required and will be documented in board minutes. PCM recognizes that federal insurance on deposits with any bank is limited to a total of \$250,000.00, regardless of the number of accounts held. In the event the balance in a school account is anticipated to be in excess of the insurance coverage, a "re-positioning" agreement is to be negotiated with the financial institution in order to secure such deposits in excess of federal coverage.

Bank Statements

When bank statements are received at PCM each statement is submitted to the Financial Consultant to complete the bank reconciliation.

Bank Reconciliation

Reconciliations are prepared monthly for all bank accounts. This preparation is accomplished by the Financial Consultant, who identifies reconciling items to ensure that cash is being accounted for properly. Any irregularities shall immediately be reported to the Head of School and the Treasurer of the Board of Trustees. A bank reconciliation report from the accounting software showing the unreconciled amount as zero is printed and attached to the bank statement. The report is submitted to the Head of School and Treasurer of the Board of Trustees for review, initialed by each and returned to the Financial Consultant. The Financial Consultant files the statement and reconciliation report in the Bank Reconciliation electronic folder in date order, sorted by bank account.

Related Party Transactions

There are instances where related parties may incur expenses of behalf of each other. For example, it is possible that PCM might incur expenses on behalf of Friends of PCM, and vice versa. On a quarterly basis, the accounting will be reconciled between the two entities to ensure that there are no funds owed from one entity to the other at the end of the fiscal year.

Investment of Funds

At present, PCM does not have any investment accounts. As such, this section does not currently apply to PCM. When PCM has funds available for investment, the following policies will apply.

The Board of Trustees sets the investment policy for PCM. The investment policy provides general guidelines regarding the type of investments deemed appropriate and the objectives of each investment (e.g., overnight deposits for excess cash, 90 day Treasury notes for excess working capital, etc.). The Treasurer of the Board of Trustees has been designated to implement the Board's investment policy. The Head of School, with support from the Financial Consultant, has been granted authority to:

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

Authorization of Investment Vehicles

The organization's Board of Trustees authorizes use of specific depository and investment banks and brokerage firms. This authorization is documented in the minutes of the applicable board meeting and communicated to the Head of School. The Head of School, with support from the Financial Consultant, communicates the authorization and a list of those personnel designated as authorized agents for the agency to the appropriate banks and firms. As a part of the authorization process, the Board Treasurer in consultation with the Head of School and Financial Consultant evaluates the organization's prior relationship with banks and brokerage firms to determine suitability for renewal. Such evaluation considers service responsiveness, types of investments offered, quality of investment advice, service and transaction charges, and any other relevant criteria.

Authorization of Investments

All transactions regarding investments must be properly authorized by the Head of School. Such transactions include:

- Purchases
- Sales
- Movement to and from safekeeping (the physical safeguarding of assets through use of a vault, safe deposit box, or independent custodian)

Investment Purchases

Investment purchases are made by check or bank transfer after compliance with the following procedures:

- A determination that the purchase transaction is properly authorized in accordance with agency policy
- Preparation of a check requisition or a bank transfer request to accompany the investment purchase/sale authorization form, if the bank has one.

Investment Sales

Investment sales are transacted after compliance with the following procedures:

- A determination that the sale transaction is properly authorized

Investment Sales Gain or Loss

The Financial Consultant will calculate the expected gain or loss upon sale or other disposition of an investment, before a decision regarding the sale is finalized. The calculation is updated/finalized subsequent to the sale.

Investment Sales Proceeds

Proceeds from the sale of investments are received either by check or bank transfer, to the attention of the Head of School, and sent to the Financial Consultant for filing.

Investment Results

Investment results are sent out by the bank, or agency, holding the investments. The results are recorded by the Financial consultant in the accounting software.

Reconciliation of Investment Accounts

Investment account balances are reconciled with the bank or agency statements, by the Financial Consultant on a monthly or quarterly basis. Such reconciliation is reviewed and approved by the Head of School.

Investment Account Balances Agreed to Third Party Statements

Amounts recorded on the general ledger and supporting schedules are reconciled to third-party statements at least quarterly and preferably monthly, if possible.

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PAYROLL

Hiring

Requests for new employees are initiated by the Head of School and compared with the approved annual personnel budget. Any new hire will be subject to a full investigation, including a background check, fingerprinting, and references from former employers. Once hired, the Financial Consultant will collect all necessary payroll data and input it to the outside payroll service provider. New employees complete an Application for Employment and the IRS W-4 Form and I-9 Form.

If a situation arises where an employee must begin service before fingerprint clearance is obtained, the employee must receive an Emergency Conditional Appointment that has been approved by PCM's Board of Trustees. Under a conditional appointment, the staff person will be supervised on a regular basis to ensure the safety of students. Employees who have never been fingerprinted for OSPI and the Department of Justice must be fingerprinted at a regional ESD, any police precinct, or another entity arranged or approved by PCM.

Salary Determination

Salaries are based on experience, comparable local positions, and the specific needs and duties of the role.

Returning Instructional Staff, Administrators and Non-Instructional Staff

Returning instructional staff, administrators and non-instructional staff at PCM are paid their previous year's salary plus a discretionary raise set by the Head of School. The Head of School is not required to raise any salary from year to year.

The Board of Trustees determines the Head of School's salary. Any such decisions will be captured in the Board meeting minutes. Any changes to a staff member's salary will be approved by the Head of School in writing or electronically and documented. A copy of this documentation will be maintained in the employee file.

Compensation Accrual

Total compensation cost will be accrued and expensed over the twelve months of the fiscal year, as appropriate. Although each fiscal year starts on September 1 and ends on August 31, not every staff member's service start and end dates will mirror the fiscal year. In order to accurately record these expenses according to GAAP, wages may be accrued. For example, if a teacher works from August 16 through June 30, yet is paid from August 16 through August 15, 1.5 months of wages will be accrued to the prior fiscal year for the period of September 1 and ends on August 31. Wages will be accrued according to the start and end dates of pay in order to recognize expenses

in the correct fiscal year.

Employees vs. Independent Contractors

When PCM makes the choice to utilize an independent contractor, legal counsel will be consulted to ensure the appropriate designation is chosen.

The decision will be based on RCW 50.04.145 and the Employment Security Department of Washington's Independent Contractor test.

Utilization of Independent Contractors/Consultants

Once the determination has been made that a worker is an independent contractor, PCM creates a written contract directly identifying the individual's status as an independent contractor and detailing why the relationship is as such. Part of the contract should enumerate the rights and responsibilities on both sides of the independent contractor agreement. This includes clearly identifying the worker's responsibility to pay estimated tax, self-employment tax, and so on. The utilization of all consultants and contract personnel are sufficiently evidenced by:

- a) Details of all agreements (e.g., work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing the services and details of actual services performed.
- b) Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services performed.
- c) The use of a management contract for educational and administrative services will clearly identify the contractor's performance requirements, including students' academic achievement, contractor's compensation and PCM'S rights to educational curricula and intellectual property developed (if applicable).

In processing payment for any independent contractor, a W-9 form must be filled out prior to issuance of the first payment for services provided. In all cases where compensation exceeded \$600.00, a 1099-NEC will be issued, as required by law.

Obtaining Payroll Information

The Head of School, with support from the Financial Consultant, is responsible for the following:

Establishing a Personnel File for Each Employee

The personnel file serves as a chronological performance record throughout the employee's tenure with the organization and, as such, is kept secure and confidential. Personnel records are kept for a minimum of 10 years. All personnel files must be kept in a locked file cabinet or in a secure online folder. Access to such personnel files is limited to the Financial Consultant, Montessori Coach, and the Head of School.

Employee files are the sole property of PCM and will be kept electronically. No employee can review or access their own personnel file without the written permission of the Head of School. The employee will be provided with the opportunity to rebut and respond to any document contained in the personnel file in writing. All materials associated with the rebuttal and response shall stay in the personnel file. Any employee may examine their personnel file in the presence of the Head of School or their designee. The employee may take written notes concerning the

contents of the personnel file and may add comments for inclusion in the file. No personnel file is to be copied or deleted where it is kept unless expressly permitted in writing by the Head of School.

Personnel files for employees will contain the following documents:

Form	Update Timeline	Month for Update (if applicable)
Offer Letter	Annually	
Fingerprint Check	Every 2 years	August
Federal Withholding Form W-4	As needed	
Federal Form I-9	As needed	
Benefits Enrollment – Medical	Annually, as needed	August
Benefits Enrollment – Dental / Vision	As needed	August
Benefits Enrollment – Life Insurance	As needed	
Retirement Account Application	As needed	
Certifications (if applicable)	As needed	
Resume	As needed	
Job description	As needed	
Annual Evaluation Documentation	Annually	
Direct Deposit	As needed	
Signed Acknowledgement of Receipt and Reading of Staff Handbook	As needed	
Signed Acknowledgement of Receipt and Reading of School Technology Policy	As needed	

I-9s, (including copies of Driver’s Licenses/State IDs and Social Security Cards or Passports), are kept electronically for each employee as required by the U.S. Department of Homeland Security. All information entered on the I-9 is verified by the Head of School, who signs off on the form after seeing original copies of all required documentation (copies are only made for the file, and are not acceptable forms of initial verification).

PCM complies with the laws and general principles of employee confidentiality as set forth in the Health Insurance Portability and Accountability Act (HIPAA) with regard to the dissemination of private health information (PHI) of school employees. In order to comply with all rules and regulations, including the Americans with Disabilities Act (ADA), PCM will keep all medical records and all other necessary documents separate from the personnel file. Employees should consult with the Head of School for further information concerning PCM’s privacy practices.

Employee Information

In order to prepare a payroll, the Financial Consultant obtains and maintains the following information for each employee:

Information	Source of Data
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Name and Address	W-4
Social Security Number (SSN)	W-4
Date of Birth	I-9
Job Title	Job Description
Wage Rate	Employee Agreement
Withholding Status	W-4
Direct Deposit Information	Direct Deposit Form
Other authorized deductions	Employer information sheet

Analyzing Job Information

The Fair Labor Standards Act (FLSA) sets employee minimum wage and overtime requirements. Job positions are classified as either exempt or non-exempt from the requirements. These requirements are linked as follows and are adhered to by PCM: [FLSA Exemption Rules](#)

NON-EXEMPT employees Covered nonexempt employees must receive overtime pay for hours worked over 40 per workweek (any fixed and regularly recurring period of 168 hours – seven consecutive 24-hour periods) at a rate not less than one and one-half times the regular rate of pay. There is no limit on the number of hours employees 16 years or older may work in any workweek. The FLSA does not require overtime pay for work on weekends, holidays, or regular days of rest, unless overtime is worked on such days.

EXEMPT employees are not entitled to overtime pay under the Fair Labor Standards Act.

In addition to the above categories, each employee will belong to one other employment category:

- **REGULAR FULL-TIME employees** are those who are regularly scheduled to work at least 40 hours per week. They receive all mandatory benefits and are generally eligible for all of PCM'S discretionary benefits, subject to the terms, conditions and limitations of each benefit program, as in effect from time to time.
 - **PART-TIME employees** are those employees who are regularly scheduled to work less than 40 hours per week. They receive all legally mandated benefits but are not generally eligible for PCM'S discretionary benefits.
- **TEMPORARY employees** are those that are hired for short-term periods, usually no longer than 6 months. They will receive all legally mandated benefits but are not eligible for PCM'S discretionary benefits.

All employees are paid on either 12 or 11-month schedule. A pay schedule will be available to employees annually. This determination is made at the time of hire and is indicated in the employee's hire letter or employment contract, if applicable.

Withholding Status

The completed W-4 form serves as a basis for employee withholding. If an employee needs to change their withholding, the employee must file an amended W-4 form within 10 days of an event that changes their withholding. An employee may amend their W-4 form to adjust their withholding at any time. In addition, employees are required to notify the Financial Consultant of

any change in name, family status, address, telephone number, emergency contact or other information concerning personnel data held or used by PCM within two (2) weeks of any change.

When W-4 forms are received, PCM will comply with the new withholding instructions by the next payroll period. The withholding instructions will usually continue to apply unless and until the employee amends the W-4 form.

Although not obligated to evaluate an employee's withholding, PCM has three duties relating to the contents of the W-4 form:

1. Disregard invalid W-4 forms. A form is rendered invalid if the employee changes or adds language to the form.
2. Report full exemptions. The organization is required to send the IRS all claims for full exemptions from withholdings by employees with normal weekly wages of more than \$200.00.

Because of their importance to both the IRS and to employees, PCM retains signed originals of the W-4 forms (no copies) for four years after the annual employment tax returns are filed.

Time Reporting Procedures

Employees are instructed on the proper charging of time to assure the accuracy of recorded time to cost objectives.

PCM will keep track of all sick days, personal days, vacation days, professional development days, holidays, bereavement or any other days that exempt employees are not at work.

All non-exempt employees are responsible for recording the actual time they have worked. Federal and state laws require PCM to keep an accurate record of time worked in order to calculate pay and benefits. PCM complies with applicable federal, state, and local wage and hour laws. If an employee suspects that an error in pay has been made, the employee must immediately bring the issue to their supervisor's attention for prompt investigation and any necessary correction will be made. PCM will not tolerate any form of retaliation against an employee who reports a violation, files a complaint, or cooperates in an investigation concerning payment of wages. Violators of this policy will be subject to disciplinary action, up to and including termination of employment.

Time worked is solely the time actually spent on the job performing assigned duties and should not include any time that is spent not working or any time off that is taken during the workday. Non-exempt employees must accurately record the time they begin and end work, the time they begin and end each meal period, and the beginning and ending time of any breaks exceeding 15 minutes. All overtime work must be approved by the supervisor before it is performed. Violators of this policy will be subject to disciplinary action, up to and including termination of employment.

PCM requires non-exempt employees to regularly complete accurate timesheets. These timesheets are due at the end of every pay period and must be timely and accurately submitted. Failure to do so may result in disciplinary action, up to and including termination of employment. Labor hours are accurately recorded and any corrections to timekeeping records, including the appropriate

authorizations and approvals, are documented. Employees may submit their time through the payroll provider.

Hours are submitted through the payroll provider and reviewed prior to payroll processing by the Head of School or Montessori Coach. Once approved, hours are saved in the payroll provider system and paid accordingly in the upcoming payroll run.

Altering, falsifying, or tampering with time records or recording time on another employee's time record will result in disciplinary action, up to and including termination.

Salaried, exempt employees are paid their entire salary for every day in which they perform any work. Deductions from an exempt employee's pre-determined salary or charge against an exempt employee's accrued leave may be taken under one of the following circumstances, unless otherwise prohibited by law:

1. the employee is absent from work for one or more full days for personal reasons (other than sickness or disability);
2. the employee is absent for one or more full days due to sickness or disability and has exhausted their paid leave time under the sick leave policy;
3. the deduction is made to offset any amounts received as payment for jury fees, witness fees, or military pay;
4. the employee is on an unpaid disciplinary suspension imposed in good faith for violating published workplace conduct rules (e.g., rules against workplace harassment or safety rules of major significance);
5. it is the employee's first or last week of employment and they are paid a proportionate part of their full salary.

PCM makes a good faith effort to comply with this salary policy. If, however, an employee believes an improper deduction has been taken from their salary, the employee should contact the Financial Consultant. The Financial Consultant will investigate the deduction and provide the employee with their findings. If the Financial Consultant determines that a deduction was improperly made, PCM will reimburse the employee for that deduction.

Overtime pay applies only to non-exempt employees. When operating requirements or other organizational needs cannot be met during regular working hours, employees may be required to work overtime. Whenever possible, employees will be given the opportunity to volunteer for overtime work assignments, and every effort will be made to distribute overtime opportunities as equitably as possible to all employees qualified to perform the required work. Overtime pay is provided to non-exempt employees in accordance with federal and state wage and hour laws that generally require time-and-one-half the employee's regular rate of pay for any hours worked beyond 40 hours in a workweek. Overtime pay is based on actual hours worked.

Time off for no-fault days, leaves of absence, and unpaid lunch hours will not be considered hours worked for purposes of calculating overtime pay. All overtime work must have the supervisor's prior authorization. Employees who work overtime without prior authorization will be subject to disciplinary action, up to and including termination of employment.

Processing Payroll

The Financial Consultant enters payroll changes into the payroll provider as received from the Head of School. Once all changes are made, the Financial Consultant downloads a pre-process payroll register from the payroll provider. This register is reviewed by the Financial Consultant and provided to the Head of School for final approval. Once approved by all relevant parties, payroll is run.

PCM uses an outside service to process its payroll. Please note, in processing payroll for any independent contractor, a W-9 form must be filled out prior to issuance of the first payment for services provided.

Payroll Processing is comprised of the following:

Responsibility	Performed by
Obtaining/Processing Payroll Information	Head of School and Financial Consultant
Computing Wages	Financial Consultant
Performing Pay Period Activities	Financial Consultant and Head of School
Preparing various annual payroll tax returns	Financial Consultant
Preparing 1099's*	Financial Consultant

*for independent contractors, LLPs and LLCs only

Pay periods are semi-monthly in length. Both salaried and hourly employees are paid on the same schedule. Employees will be paid on the 10th and 25th of each month. In the event that the 10th or 25th of the month falls on the weekend, or a holiday, the pay date will be the next nearest business day. In February, pay will be distributed on the 28th, or the next business day.

All employees are paid on a 12-month schedule, regardless of whether they are 12-month employees or 11-month employees. A pay schedule will be circulated during staff pre-service for PCM year.

Once payroll documents are received from the payroll vendor (e.g., calculations, payrolls and payroll summaries), they are compared with timesheets, pay rates, payroll deductions, compensated absences etc. by the Financial Consultant. The Financial Consultant verifies gross pay and payroll deductions and compares the total hours and number of employees with the totals in the Payroll Register. The Payroll Register is reviewed and approved by the Financial Consultant, who then forwards the payroll checks and the Payroll Register to the Head of School for approval. Once signed or approved by email, payroll payments by check, direct deposit, or cash are distributed to employees by the Payroll Vendor, and the Payroll Register is filed.

Direct deposit is the preferred method of payment. For any checks that are cut, the payroll provider helps monitor any uncashed payroll checks.

If an employee is given a paper paycheck and loses that check, they must submit a written request for a new check to be issued to the Head of School. The request must indicate the date on the check, the pay period it covered, and the amount. The employee must also certify that they believe the check to be lost and that if the employee finds the check, they will return it to the Financial Consultant. A new paycheck will be issued to the employee as soon as practicable after the request is submitted.

Payroll Tax Compliance

The payroll vendor is responsible for the preparation of the periodic payroll tax filings. The Financial Consultant is responsible for reviewing and approving all payroll tax documents and supporting schedules for accuracy and completeness.

PCM, with support from the Financial Consultant, maintains a schedule of required filing due dates for:

- a. IRS Form W-2 - Wage and Tax Statement.
- b. IRS Form W-3 - Transmittal of Income and Tax Statements.
- c. IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.
- d. IRS Form 1099-NEC and 1099-MISC
- e. Quarterly and annual state(s) unemployment tax return(s).
- g. WA State and Office of Superintendent of Public Instruction forms as required.

Periodic Payroll Reconciliations

Reconciling Employee Payroll Deductions

On a monthly basis, the Financial Consultant reconciles deductions made from employees to the payments made to insurers, benefit plan providers, and other payees.

Quarterly Reconciliation of Payroll to Accounting Records

The Payroll Register, the Payroll Register Preview, time sheets for additional work by staff members and expense reimbursements (if any) are filed in electronic Quarterly Payroll folders, according to each pay date by fiscal year. On a quarterly basis, the Financial Consultant performs a reconciliation of all salary accounts in the general ledger, as compared to the salary reported by the payroll processing company on the Form 941 and/or other Quarterly Payroll Return. Any variances are researched and cleared within the month following quarter end.

Annual Reconciliation of Payroll to Accounting Records

On an annual calendar basis, the Financial Consultant performs a reconciliation of the following:

- Gross salaries per all Forms 941
- Gross salaries per W-2 forms
- Gross salaries per General Ledger
- Variances are researched and cleared by January 31 of the following year

Protecting Payroll Information

Salary information constitutes sensitive information. It is the responsibility of the Head of School and Financial Consultant to ensure that all payroll information is kept secure and confidential. The

security of personnel files is described above. In addition, the School will maintain an electronic record of the Payroll Registers.

Changes to Payroll Information

The payroll provider allows employees to change personal information (e.g. mailing address) directly. Such changes generate notices to the Financial Consultant and Head of School and are reviewed as part of monthly payroll processing. Any pay changes (e.g. pay rate, title, deductions, benefits) must be approved by the HOS and are then entered into the payroll provider by the Financial Consultant.

Terminations and Resignations

The Financial Consultant ensures that any departing employee, whether terminated or resigned, is removed from the payroll immediately after their last payment is made.

Whether an employee has elected to resign or is being terminated, a Personnel Action form must be completed. An exit interview is held between the departing employee, Head of School, and one witness, usually a member of PCM leadership team. In the case of employee termination, a copy of the termination letter is presented to the departing employee at the exit interview. In the case of a resignation, this interview is used to document the departing employee's reasons for resignation. This information is critical when assessing staff turnover data.

Upon termination or effective resignation date, all employee belongings are removed immediately, and all employer belongings are returned immediately. The Personnel Action form is filed in the employee's personnel file.

PCM will pay employees who give proper notice through their last day of employment, unless they are on a leave of absence. Employees will not receive pay for any accrued but unused sick or personal leave (see section below). Employees will receive their final pay according to the normal payroll processing cycle, or in accordance with applicable wage laws.

In the event that a key staff member in finance or operations is incapacitated or terminated, PCM will hire a financial consultant to fill in until a permanent replacement is hired. When a replacement is identified, the financial consultant will professionally train the new hire to ensure a sound transition. In addition, PCM will continue to develop written desktop procedures for each of these key finance and operations staff positions so that they are not completely reliant on outside consultants.

Sick Leave and Personal Leave

Salaried Employees

Sick Leave

Employees are entitled to the greater of:

1. Six (6) sick days, or
2. One (1) hour of sick leave accrued for every 40 hours worked

Unless otherwise provided for or as approved by the Head of School, sick leave is to be used by regular full-time employees in accordance with the following provisions:

- Sick leave is to be used only in the event of illness of the employee, the employee's immediate family, or someone dependent on them for care, and for no other purpose.
- Misuse of sick leave is cause for termination of employment.
- For the purposes of this section, "immediate family" is defined as a spouse, partner, parent, child, sibling, grandparent, any other relative permanently residing with the employee, or any other person as defined by the Head of School or the Board of Trustees.

Notice of absence from work due to illness should be provided to the Montessori Coach and the Head of School with as much advance notice as possible, and by 6:00 a.m. on the day of the absence, allowing reasonably enough time for the Montessori Coach to find a substitute teacher, in the instance of instructional employees, or temporary help, in the instance of administrative staff.

Employees must provide notice of absence from work due to illness each day of their absence. If an employee is absent for three (3) or more consecutive days due to illness or injury, a physician's statement must be provided verifying the illness and its beginning and end dates. When possible, such as in the event of foreseeable extended illnesses and planned medical procedures, advance notice of the use of sick leave should be given to the employee's supervisor at least five (5) days in advance.

Excessive tardiness, absenteeism, or an unauthorized absence may result in disciplinary action, up to and including termination of employment.

Notice of total sick leave used should be provided to the Montessori Coach upon an employee's return to work. Sick leave shall be used in increments of one-half workday.

Unused sick leave benefits of 40 hours or less must carry over to the next year. Unused sick leave days will not be paid to employees upon termination of employment.

32 hours (4 days) may be rolled over into the following school years for a total of 12 days to be banked at any one time.

Additionally, employees are entitled to:

- Maternity/Paternity/Adoption: This leave may also be used for pregnancy, childbirth and related temporary disability to employees, to the extent the employee's physician certifies the employee's temporary disability.
- Family Illness: This leave may be used in the event of illness within the immediate family of the employee. For purposes of this provision, immediate family shall mean spouse, parent, child, grandchild, grandparent, sibling(s), or a person living in the same household as the employee.
- Emergency: This leave may also be used in the event an employee has an emergency, defined as, a problem that has been suddenly precipitated or is unplanned; or where pre-

planning could not relieve the necessity for the employee's absence.

Personal Leave

Unless otherwise provided for or as approved by the Head of School or the Director of Operations, personal leave for regular full-time employees shall be accrued as follows:

- Each employee is granted two (2) paid personal leave days per school year beginning September 1 to be available for use over the following twelve (12) months.
- This bank of time may be used for any purpose, but needs to be pre-approved by the Head of School or Montessori Coach prior to accessing these days.
- No personal leave will be allowed to be rolled over to the following school year, nor will they be cashed out.

Professional Leave

- Up to 24 hours (3 days) may be cashed out at the end of June of the current school year at the current pay rate for a substitute teacher.
- No professional leave will be allowed to be rolled over to the following school year.

Hourly Employees

Sick Leave

Employees are entitled to the greater of:

3. Five (5) sick days, or
4. One (1) hour of sick leave accrued for every 40 hours worked

Unless otherwise provided for or as approved by the Head of School, sick leave is to be used by regular full-time employees in accordance with the following provisions:

- Sick leave is to be used only in the event of illness of the employee, the employee's immediate family, or someone dependent on them for care, and for no other purpose.
- Misuse of sick leave is cause for termination of employment.
- For the purposes of this section, "immediate family" is defined as a spouse, partner, parent, child, sibling, grandparent, any other relative permanently residing with the employee, or any other person as defined by the Head of School or the Board of Trustees.

Notice of absence from work due to illness should be provided to the Montessori Coach and the Head of School with as much advance notice as possible, and by 6:00 a.m. on the day of the absence, allowing reasonably enough time for the Montessori Coach to find a substitute teacher, in the instance of instructional employees, or temporary help, in the instance of administrative staff.

Employees must provide notice of absence from work due to illness each day of their absence. If an employee is absent for three (3) or more consecutive days due to illness or injury, a physician's statement must be provided verifying the illness and its beginning and end dates. When possible, such as in the event of foreseeable extended illnesses and planned medical procedures, advance notice of the use of sick leave should be given to the employee's supervisor at least five (5) days in advance.

Excessive tardiness, absenteeism, or an unauthorized absence may result in disciplinary action, up to and including termination of employment.

Notice of total sick leave used should be provided to the Montessori Coach upon an employee's return to work. Sick leave shall be used in increments of one-half workday.

Unused sick leave benefits of 40 hours or less must carry over to the next year. Unused sick leave days will not be paid to employees upon termination of employment.

24 hours (3 days) may be rolled over into the following school years for a total of 64 hours (8 days) to be banked at any one time.

Additionally, employees are entitled to:

- Maternity/Paternity/Adoption: This leave may also be used for pregnancy, childbirth and related temporary disability to employees, to the extent the employee's physician certifies the employee's temporary disability.
- Family Illness: This leave may be used in the event of illness within the immediate family of the employee. For purposes of this provision, immediate family shall mean spouse, parent, child, grandchild, grandparent, sibling(s), or a person living in the same household as the employee.
- Emergency: This leave may also be used in the event an employee has an emergency, defined as, a problem that has been suddenly precipitated or is unplanned; or where pre-planning could not relieve the necessity for the employee's absence.

Personal Leave

Unless otherwise provided for or as approved by the Head of School or the Director of Operations, personal leave for regular full-time employees shall be accrued as follows:

- Each employee is granted two (2) paid personal leave days per school year beginning September 1 to be available for use over the following twelve (12) months.
- This bank of time may be used for any purpose, but needs to be pre-approved by the Head of School or Montessori Coach prior to accessing these days.
- No personal leave will be allowed to be rolled over to the following school year, nor will they be cashed out.

All Employees

Blackout Dates

There are times throughout the year when finding a substitute may constitute a significant issue for the school. These days will be blacked out and staff will not be allowed to take leave, paid or unpaid, on these days. Should an emergency take place on one of these days, the staff member must connect with their supervisor to inform them of the need to be absent.

Blackout dates:

- August professional development (dates to be determined by Head of School)
- First two weeks of school
- Last two weeks of school

- Friday afternoon staff development times
- Conference days
- Data days
- International Night
- School Vacations - The day before or after school holidays (Thanksgiving, Winter Break, Martin Luther King Jr. Day, President's Day, Memorial Day)

Key Guidelines:

- You must receive approval from the Pullman Community Montessori leadership team prior to taking personal leave.
- You may not schedule your last paid workday as a vacation day. Unused leave will not be paid out should you end employment with PCM.

When possible, a minimum of one week's notice should be given to your supervisor, in order to schedule and accommodate substitutions. When advanced notice is not possible, as in the case of emergency or illness, email BOTH the office AND Head of School AS SOON AS POSSIBLE with notification of your absence and day's plans for a substitute. Should a substitute be required, time must be taken in 4 hour increments.

Shared Leave

The shared paid sick leave program provides employees the opportunity to receive and use donated paid sick leave, and to donate their paid sick leave to other employees.

To Apply

Employees must apply to receive/donate shared paid sick leave through the Office Manager. An employee is eligible to apply for and use shared paid sick leave 90 days after employment. If an employee wishes to participate in the shared paid sick leave program, the employee must complete the Employee Request to Receive Shared Paid Sick Leave form or complete the Employee Request to Donate Paid Sick Leave form, and provide the form to the Office Manager.

While the Office Manager will receive requests, they will ultimately be forwarded to the Head of School, whom is ultimately responsible for:

- Ensuring employees meet the eligibility criteria for receiving and donating shared paid sick leave;
- Approving requests to receive/donate shared paid sick leave; and
- Monitoring the use of shared paid sick leave.

Donated Paid Sick Leave

Donated paid sick leave will be recorded as if the donating employee had used the time, and will reduce the donating employee's available balance of paid sick leave.

7

PROPERTY AND EQUIPMENT

Background

The Head of School and Montessori Coach are responsible for ensuring that accurate inventories are maintained so that all assets are safeguarded.

PCM's Head of School is responsible for maintaining the equipment and all necessary asset inventories. All assets must be recorded both in the accounting system's general ledger under the fixed asset category and in a separate fixed asset inventory spreadsheet, created in Excel or Google Sheets. All property and equipment subject to PCM's Capitalization Policy must be tagged in the manner described below and depreciated according to PCM's Depreciation Policy.

Upon receiving any property that qualifies as a fixed asset, the Head of School, Office Manager, and Montessori Coach are responsible for recording the following into the fixed asset inventory spreadsheet. The Head of School will review the spreadsheet periodically for accuracy.

- Inventory number as designated by PCM (use sequential numbers, no lettering)
- Asset name and description
- Classification (i.e. land, building, equipment, betterment, leasehold improvements, furniture, computer hardware and software)
- Serial number, model number, or other identification
- Whether title vests with PCM or a governmental agency
- Vendor name and acquisition date
- Location of the equipment
- Purchase date
- Purchase value
- Disposal date
- Disposal reason

In addition, the following data must be entered in the accounting system's general ledger under the fixed asset category:

- Asset name
- Current value

Each item is also physically tagged in a visible area if necessary.

All government-furnished property and equipment is also recorded and tagged, with identification information indicating it has been acquired through a government contract. For example, when assets are purchased using funds from the Department of Youth and Community Development

(DYCD), that item is tracked and physically tagged as property of DYCD. Because DYCD owns the item, it is recognized as an expense (not an asset) on the Statement of Financial Position. In the event of charter revocation, the item is returned as property of DYCD.

No employee may use any of PCM property, equipment, material or supplies for personal use without the prior approval of the Head of School.

No item of property or equipment shall be removed from the premises without prior approval Head of School.

All lease agreements on real property will be evidenced by a lease or sublease signed by the Head of School. The agreement will identify all the terms and conditions of the lease. Any real estate agreement to rent or sell will require a beneficial interest disclosure.

Capitalization Policy

The cost threshold for items purchased by PCM to capitalize is \$5,000.00 per item. This allows items to carry value over time, and not simply be expensed in Year 1. Items with an acquisition cost of less than \$5,000.00 or a useful life of less than one year can be expensed in the year purchased. Items with an acquisition cost of more than \$5,000.00 are subject to PCM's depreciation policy, outlined below.

In instances where a large quantity of one single item is purchased, if the total value exceeds the \$5,000.00 threshold, the items may be capitalized. For example, if a school buys 100 desks at \$250.00 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a combined value of \$25,000.00, which should be capitalized over a 7-year period, as outlined in the Depreciation Policy table below.

The Head of School performs annual inventory audits, verifying and updating the data contained in the Excel fixed asset inventory spreadsheet. Once complete, this inventory is compared to the fixed assets listed in the general ledger to ensure the value of the assets per the accounting system matches the value of the assets per the spreadsheet. Differences are investigated and reconciled by the Head of School.

Depreciation Policy

Any items subject to the Capitalization Policy described above are subject to depreciation. The Head of School and Financial Consultant will account for depreciation based on PCM's inventories. Depreciation associated with the fixed assets will be calculated based on its useful life and straight-line depreciation method. Depreciation is based on the month the item was actually purchased. For instance, if PCM purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12) and recorded as such. But if PCM purchased the computer in April, then it would be depreciated for just one-fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June.

Any item that is damaged beyond use will be taken out of service and fully depreciated off the accounting records.

Estimating Useful Life

The following guidelines from the Washington Office of Financial Management are used in setting estimated useful lives for asset reporting:

"Agencies are required to use the useful life shown in Schedule A, Capital Asset Class Codes and Useful Life Schedule (Subsection 30.50.10.a) for capital assets acquired in new condition. For energy efficiency equipment and products, refer to the Addendum to Schedule A (Subsection 30.50.10.b). However, a shorter or longer estimated life may be used depending on factual circumstances, replacement policies, or industry practices. Proposed deviation in useful life from Schedule A requires prior written approval from the OFM Accounting Division."

The OFM Capital Asset Useful Life Schedule can be found online.

Disposal of Property and Equipment Policy

PCM has adopted standard disposition procedures for staff to follow whenever an asset with an original cost of over \$1,000 is disposed of:

The requester fills out and signs the Asset Disposal Form, which identifies the asset and the reason for disposition. This form is submitted to the Head of School, who takes photos of the asset, determines the asset's book value and documents the condition of the asset. Disposal of any asset requires the approval of both the Head of School and Montessori Coach.

Once approved for disposal, the dollar value of the disposed asset is recorded as a reduction in the general ledger. The disposed asset is also removed from the Excel fixed asset inventory spreadsheet. The treatment of any proceeds from the disposition, and the recognition of any gain or loss on sale of the disposed asset, is also recorded in the general ledger by the Head of School.

Small and Attractive Assets:

Are defined as assets that are (1) usable outside of the school, (2) cost at least \$300, and (3) would have value if taken from the school. Every effort will be made to safeguard these assets from being stolen, including safe storage, and reviewing inventory levels at least annually.

8

RECORDS RETENTION

The Laws

RCW 40.14.070

Records Retention Policy

All confidential paper records shall be maintained in locked facilities on school premises.

In the event of a major system malfunction, all financial records would be safely maintained in third party internet space via their cloud storage services. In the event of any other major system malfunction, any transactions since the last available backup would be re-recorded based on the cash disbursement records and cash receipts records.

PCM has an established Disaster Recovery Policy. Please reference the School Safety Plan for details.

The following table provides the minimum requirements for records retention, as mandated by the Washington state statute RCW 40.14.070.

Item	Retention Period
Bank Statements & Reconciliations	7 Years
Cancelled Checks (Ordinary)	7 Years
Cash Books	7 Years
Cash Receipts and Disbursements	7 Years
Construction Documents	7 Years
Contracts and Leases (Current)	7 Years
Contracts and Leases (Expired)	7 Years
Corporate - Articles of Incorporation & By Laws	Permanent
Corporate - Certificate of Incorporation and Related Legal or Government Documents	Permanent
Corporate - Minutes of Board & Committee Meetings, etc.	Permanent
Correspondence (General)	3 Years
Correspondence (Legal / Important)	7 Years
Duplicate Bank Deposit Slips	3 Years
Employee Assignments and Garnishments	7 Years after term
Employee Benefit Plan Documents	7 Years after term
Employee Payroll Records	7 Years after term
Employee Payroll Reports (Federal, State or City Government)	7 Years after term

Item	Retention Period
Employee Personnel Records (After Termination)	7 Years after term
Employee Personnel Records (Current)	7 Years after term
Employee Retirement & Pension Records	Permanent
Employee Timesheets	7 Years after term
Employee Workman's Compensation Documents	11 years
Employment Applications (Current Employees)	7 Years after term
Employment Applications (Other)	1 Year
Finance - Accounts Payable Ledgers and Schedules	7 Years
Finance - Accounts Receivable Ledgers and Schedules	7 Years
Finance - Audit Reports of Independent Accountants	7 Years
Finance - Depreciation Schedules	7 Years
Finance - Expense Analyses & Distribution Schedules	7 Years
Finance - Financial Statements (including Trial Balances)	7 Years
Finance - Fixed Asset Records & Appraisals	7 Years
Finance - General Ledgers	7 Years
Finance - Subsidiary Ledgers	7 Years
Finance - Tax Return Worksheets	7 Years
Finance - Tax Returns	5 years
Finance - Uncollectible Accounts & Write-Offs	7 Years
Finance - W-2 / W-4 / 1099 Forms, etc.	7 Years
Grant Inquiries	7 Years
Insurance - Accident Reports and Claims (Current Cases)	Permanent
Insurance - Accident Reports and Claims (Settled Cases)	Permanent
Insurance - Policies (Current)	Permanent
Insurance - Policies (Expired)	Permanent
Inventories	7 Years
Invoices from Vendors	7 Years
Invoices to Customers	7 Years
Notes Receivable Ledgers	7 Years
Paid Bills & Vouchers	7 Years
Patents & Related Papers	Permanent
Property Documents - Deeds, Mortgages, etc.	10 years
Stock and Bond Certificates (Cancelled)	7 Years
Stock and Bond Records	7 years
Vendor Payment Request Forms & Supporting Documents	7 Years
Voucher Registers & Schedules	7 Years

Originals of the following corporate documents are maintained either electronically or in paper form, depending on the original document:

- a. Charter and all related amendments
- b. Minutes of the Board of Trustees and subcommittees
- c. Banking agreements
- d. Leases

- e. Insurance policies
- f. Vendor invoices
- g. Grant and contract agreements
- h. Fixed asset inventory list

Records Access Policy

The Financial Consultant will provide access to the organization's records and provide supporting records, as requested by government auditors to facilitate the completion of such audits or reviews, in a timely manner.

Records Destruction Policy

The destruction of confidential school records will be authorized by the Head of School. Should the Head of School be unable to provide authorization, destruction will be stayed pending review and final determination.

If any litigation, claim, or audit is started before the expiration of the designated retention period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

Once school records have reached the conclusion of their retention period according to the Records Retention Policy, the office of origin will request authorization from the Head of School for their destruction.

PCM will arrange for the safe and secure destruction of confidential records. Destruction methods will not permit recovery, reconstruction and/or future use of confidential information. An overview of these methods follows.

Paper records containing confidential information should be shredded and/or pulped, not simply thrown out with other classes of records or with miscellaneous trash.

Electronic or machine-readable records containing confidential information require a two-step process for assured, confidential destruction. Deletion of the contents of digital files and emptying of the desktop "trash" or "waste basket" is the first step. It must be kept in mind, however, that reconstruction and restoration of "deleted" files are quite possible in the hands of computer specialists. With regard to records stored on a "hard drive," it is recommended that commercially available software applications be utilized to remove all data from the storage device. When properly applied, these tools prevent the reconstruction of any data formerly stored on the hard drive. With regard to floppy disks and back-up tapes, it is recommended that these storage devices be physically destroyed.

A destruction record exists to track the destruction of any and all documents. This inventory describes and documents those records, in all formats, authorized for destruction, as well as the date, agent, and method of destruction. The destruction record itself shall not contain confidential information. The destruction record may be retained in paper, electronic, or other formats.

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FRAUD AND MISAPPROPRIATION

PCM has implemented internal controls and segregation of duties possible based on the staffing structure and available resources. PCM recognizes that some instances can occur where fraud appears to have occurred while in reality there was none. Thus while PCM will not tolerate any fraud or suspected fraud involving employees, officers or trustees, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with PCM – the possibility of the appearance of fraud will be considered to protect innocent employees. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with PCM.

The Head of School and Board of Trustees are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to their injury. The Head of School and each board member will be familiar with the types of improprieties that might occur within their area of responsibility and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Board of Trustees and they will take necessary actions.

Actions Constituting Fraud

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

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to PCM
- Forgery or alteration of a check, bank draft, or any other financial document
- Misappropriation of funds, supplies, equipment, or other assets of PCM
- Impropriety in the handling or reporting of money or financial transactions
- Disclosing confidential and proprietary information to outside parties
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services PCM
- Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment
- Any similar or related irregularity

Investigation Responsibilities

The Board Chairperson has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Board of Trustees may utilize whatever internal and/or external resources it

considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Board of Trustees will issue reports to appropriate designated personnel.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final dispositions of the case.

Confidentiality

The Board of Trustees will treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity will notify the Board Chair immediately and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect PCM from potential civil liability.

Authority for Investigation of Suspected Fraud

Members of the Board of Trustees will have:

1. Free and unrestricted access to all PCM's records and premises; and
2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of their investigations.

Reporting Procedures

An employee who discovers or suspects fraudulent activity will contact the Chairperson of the Board of Trustees immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), their attorney or representative(s), or any other inquirer should be directed to the Finance Committee or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is, "I am not a liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by the appointed legal counsel or the Board of Trustees.