



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

Pullman Community Montessori

Finance Committee (FC)

Date and Time

Thursday July 14, 2022 at 5:00 PM PDT

Location

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

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).

C. Pleasantry

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

Question:

Welcome Eric Jochim! Let's all go around and share:

- Name and role on this board
- Day job
- Where you call home

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 June 21, 2022

II. Finance Committee (FC)

A. Review & Approve June 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. Payroll and AP Certification
7. Review Financial Dashboard to ensure meeting commission standards (mark goal as complete once reviewed)

B. Review 5-7 year plan updates

Discuss 5-7 year budget & planning updates

- Revenue: K enrollment increase; added learn to return funding to cover nurse FTE increase
- Expenses: rent deferral agreed upon with Gladish (\$226k over 3 years); new guide hired; increased nurse FTE; no other material changes, small true ups to 21-22 actuals

- Overall:

- 22-23: \$27k over 30 days cash - could go higher once we true up end of year cash

- Long-term: only \$135k short of 60 days cash in year 4; \$500k over 60 days cash in year 5

C. Auditor selection update

Reached out to multiple CPA firms; only Eide Bailly has experience and capacity so they are able to take PCM on which is great! Costs will be similar to all CPA's.

Engagement letter should come out in August.

D. Financial Policies Manual Updates

Discuss and review updates made to the financial policies manual. Would like to get Board approval in July or August.

III. Other Business

A. Mock Audit for July

What do we need to do to prepare for this?

IV. Goals

Check in monthly on our committee goals

V. 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 June 21, 2022

APPROVED



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

Pullman Community Montessori

Minutes

Finance Committee (FC)

Date and Time

Tuesday June 21, 2022 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

Committee Members Absent

J. Cassleman, M. Paolini

I. Opening Items

A. Record Attendance

B. Call the Meeting to Order

L. Sullivan called a meeting of the Finance Committee Committee of Pullman Community Montessori to order on Tuesday Jun 21, 2022 at 5:11 PM.

C. Pleasantry

What is the origin of your name?

D. Approve Minutes

A. Guyton made a motion to approve the minutes from Finance Committee (FC) on 03-15-22.

C. Minogue seconded the motion.

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

E. Approve Minutes

A. Guyton made a motion to approve the minutes from Finance Committee (FC) on 04-19-22.

C. Minogue seconded the motion.

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

F. Approve Minutes

A. Guyton made a motion to approve the minutes from Finance Committee (FC) on 05-17-22.

C. Minogue seconded the motion.

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

II. Finance Committee (FC)

A. Review & Approve May Financials

Dashboard note: Accrued interest expense was expected but was put in the budget in a way that we need to express it as an 'unexpected' expense. This will look different in this coming years budget as we start repayment.

Look at categories that are under or over and reassess for next year. Some are lower because of time of year (still time to spend before fiscal year ends).

Take deeper look into field trips and students recruitment and marketing.

Remove Clara's name.

A. Guyton made a motion to recommend the board approve the April financials as presented.

C. Minogue seconded the motion.

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

B. Review 5-7 year plan updates

Laylah reviewed status on enrollment and hiring.

C. Auditor selection update

Reached out to 4, 1 from PCM.

Eid Bailey cut off accepting clients but will take PCM. Have experience with charter schools. Waiting on estimate.

For mock audit Carmel will share questionnaires with HOS.

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 6:20 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 June Financials

Section:	II. Finance Committee (FC)
Item:	A. Review & Approve June Financials
Purpose:	Vote
Submitted by:	
Related Material:	<ul style="list-style-type: none">2. PCM Income Statement June 2022.pdf3. PCM Balance Sheet June 2022.pdf1. PCM Finance Dashboard June 2022.pdf5. PCM Statement of Cash Flows June 2022.pdf4. PCM Budget Status June 2022.pdf6a. PCM Auditing Officer Approval June 2022.pdf6. PCM Payroll and AP Certification June 2022.pdf6c. PCM AP Register June 2022.pdf6b. PCM Payroll Report June 2022.pdf

Pullman Community Montessori

Profit and Loss

June 2022

	TOTAL			
	JUN 2022	MAY 2022 (PP)	CHANGE	SEP 2021 - JUN 2022 (YTD)
Revenue				
3100 Local Donations	164.80	5.05	159.75	4,724.55
3102 Sales - Student Activities				3,346.37
3201 Interest Income (Public)		0.02	-0.02	0.16
3520 Private Foundations / Grants				105,000.00
4000 General Apportionment	49,042.05	40,868.39	8,173.66	633,459.91
4021 Special Education - General Apportionment	1,316.66	1,097.21	219.45	17,006.86
4121 Special Education - State	5,960.26	4,966.88	993.38	76,986.64
4155 Learning Assistance	798.34	665.27	133.07	10,311.79
4174 Highly Capable	1,668.08		1,668.08	1,668.08
4198 State - School Food Service	329.44		329.44	1,222.94
5101 Title 1		6,970.18	-6,970.18	6,970.18
5102 Title 2		1,944.00	-1,944.00	1,944.00
5124 Federal SPED - IDEA		4,054.58	-4,054.58	11,568.58
5198 Federal - School Food Services (NSLP)	8,333.78	4,171.01	4,162.77	45,040.16
5199 Federal - Misc Grants	39,411.80	2,880.00	36,531.80	113,746.62
5200 Federal - CSP	11,328.44	11,836.92	-508.48	211,382.62
Total Revenue	\$118,353.65	\$79,459.51	\$38,894.14	\$1,244,379.46
GROSS PROFIT	\$118,353.65	\$79,459.51	\$38,894.14	\$1,244,379.46
Expenditures				
6005 Certificated - Executive Management	7,500.00	7,500.00	0.00	75,416.68
6010 Certificated - Instructional Management				26,666.70
6106 Classified - Operations Staff	4,395.30	4,395.30	0.00	41,205.16
6190 Classified - Other - Non -Instructional	4,380.00	5,680.00	-1,300.00	40,317.32
6198 Classified - Lunch Staff	2,045.27	3,005.93	-960.66	26,059.37
6270 Certificated - Teachers - Regular	17,663.10	17,038.32	624.78	175,693.86
6271 Certificated - Teachers - Substitutes	635.21	1,815.04	-1,179.83	11,469.93
6275 Certificated - Teachers - SPED	5,374.94	5,374.92	0.02	54,386.84
6278 Certificated - Stipends				720.00
6371 Classified - Teachers - Substitutes	0.00	786.21	-786.21	786.21
6373 Classified - Aides - Regular	6,636.63	7,914.56	-1,277.93	76,336.88
7051 Social Security/Medicare/FUTA	2,840.15	3,074.65	-234.50	30,933.59
7052 Worker's Compensation Insurance	385.82	452.89	-67.07	4,304.29
7053 State Unemployment	666.24	824.08	-157.84	7,000.76
7055 Retirement Contribution - DRS	6,437.37	6,759.53	-322.16	68,713.41
7056 Health Insurance - SEBB	10,648.00	10,648.00	0.00	111,320.00
8010 Legal				501.74
8015 Oversight Fee (3%)	1,764.86	1,429.01	335.85	22,199.74
8035 Payroll & Accounting Services	8,000.00	8,000.00	0.00	81,431.50
8040 Special Ed Services	2,645.00	10,567.66	-7,922.66	42,032.67

Pullman Community Montessori

Profit and Loss

June 2022

	TOTAL			
	JUN 2022	MAY 2022 (PP)	CHANGE	SEP 2021 - JUN 2022 (YTD)
8050 Contracted Services - Tech	452.76		452.76	21,638.17
8051 Contracted Services - Program Support / PD		1,216.66	-1,216.66	14,449.94
8052 Contracted Services - Instructional				2,433.13
8053 Contracted Services - Misc	8,125.00	8,125.00	0.00	49,270.00
8054 Contracted Services - Afterschool	2,483.25	2,483.25	0.00	28,380.37
8055 Printing	78.52	834.59	-756.07	1,747.85
8060 Dues & Memberships	150.00		150.00	2,701.76
8505 Board Expenses	833.33	2,183.33	-1,350.00	9,833.30
8510 Classroom / Teaching Supplies & Materials	771.47	555.59	215.88	33,448.06
8515 Special Ed Supplies & Materials		60.31	-60.31	1,179.61
8520 Textbooks / Workbooks		144.00	-144.00	3,884.66
8526 COVID-19 Expenses				635.29
8530 Equipment / Furniture	6,522.00	684.68	5,837.32	15,075.50
8535 Telephone / Internet	787.39	1,147.39	-360.00	7,470.49
8540 Technology - Hardware	6.17		6.17	12,626.97
8541 Technology - Software	4,203.10	580.91	3,622.19	21,611.24
8550 Field Trips	363.04	3,708.71	-3,345.67	4,071.75
8564 Bank & Payment Processing Fees	0.46	35.35	-34.89	236.72
8565 Office Expense	8,345.02		8,345.02	15,519.50
8570 Staff Development		3,850.00	-3,850.00	9,955.71
8575 Staff Recruitment	1,415.92	100.00	1,315.92	1,576.67
8580 Student Recruitment / Marketing	145.00	964.96	-819.96	9,325.14
8585 School Meals / Lunch	1,006.08	4,008.46	-3,002.38	43,301.81
8590 Travel (Staff)				95.58
8595 Fundraising	6.73		6.73	502.03
9005 Insurance Expense	893.16	906.99	-13.83	8,780.17
9010 Janitorial				1,517.01
9015 Building and Land Rent / Lease	14,042.42	14,042.42	0.00	140,691.53
9020 Repairs & Maintenance Bld				107.80
9045 Interest Expense	1,997.02	1,923.00	74.02	19,372.74
Total Expenditures	\$134,645.73	\$142,821.70	\$ -8,175.97	\$1,378,937.15
NET OPERATING REVENUE	\$ -16,292.08	\$ -63,362.19	\$47,070.11	\$ -134,557.69
NET REVENUE	\$ -16,292.08	\$ -63,362.19	\$47,070.11	\$ -134,557.69

Pullman Community Montessori

Balance Sheet

As of June 30, 2022

	TOTAL		
	AS OF JUN 30, 2022	AS OF MAY 31, 2022 (PP)	CHANGE
ASSETS			
Current Assets			
Bank Accounts			
1000 Banner Bank x4353 - PUBLIC Checking	179,267.45	179,823.89	-556.44
1001 Banner Bank x4695 - PRIVATE Checking	1,217.38	1,220.38	-3.00
1005 Banner Bank x3234 - PUBLIC Savings	1,095.47	1,095.47	0.00
Total Bank Accounts	\$181,580.30	\$182,139.74	\$ -559.44
Accounts Receivable			
1100 Accounts Receivable (A/R)	61,857.24	62,365.72	-508.48
Total Accounts Receivable	\$61,857.24	\$62,365.72	\$ -508.48
Other Current Assets			
1150 Prepays & Other Assets	11,323.82	2,120.42	9,203.40
Total Other Current Assets	\$11,323.82	\$2,120.42	\$9,203.40
Total Current Assets	\$254,761.36	\$246,625.88	\$8,135.48
Fixed Assets			
1501 Fixed Assets-Capitalized Equipment	46,770.36	46,770.36	0.00
1503 Fixed Assets-Leasehold Improvements	391,802.62	391,802.62	0.00
1504 Fixed Assets-Furniture, Fixtures & Other	68,838.42	68,838.42	0.00
1510 Facilities - In Progress	97,205.81	95,705.81	1,500.00
Total Fixed Assets	\$604,617.21	\$603,117.21	\$1,500.00
TOTAL ASSETS	\$859,378.57	\$849,743.09	\$9,635.48
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
2100 Accounts Payable	37,159.99	7,413.37	29,746.62
Total Accounts Payable	\$37,159.99	\$7,413.37	\$29,746.62
Other Current Liabilities			
2101 Accrued Accounts & Payroll Payable	31,301.15	38,073.41	-6,772.26
2155 Retirement Payable - DRS	10,592.06	10,170.13	421.93
2156 Health Insurance Payable - SEBB	-17,230.00	-17,761.00	531.00
2158 LTD Payable	118.55	115.30	3.25
2171 Use Tax Payable	428.69	428.69	0.00
Total Other Current Liabilities	\$25,210.45	\$31,026.53	\$ -5,816.08
Total Current Liabilities	\$62,370.44	\$38,439.90	\$23,930.54
Long-Term Liabilities			
2501 Construction Loan Payable	479,108.58	477,111.56	1,997.02
Total Long-Term Liabilities	\$479,108.58	\$477,111.56	\$1,997.02
Total Liabilities	\$541,479.02	\$515,551.46	\$25,927.56
Equity			
2998 Unrestricted Net Assets	450,257.24	450,257.24	0.00
2999 Restricted Net Assets	2,200.00	2,200.00	0.00
Net Revenue	-134,557.69	-118,265.61	-16,292.08
Total Equity	\$317,899.55	\$334,191.63	\$ -16,292.08
TOTAL LIABILITIES AND EQUITY	\$859,378.57	\$849,743.09	\$9,635.48



	Metric <i>Description</i>	Result	Goal	Status	Notes
1.	Current Student Recruitment Count <i>Enrollment is the school's primary revenue driver</i>	99%	100%	○	<i>Current enrollment: 66 (AAFTE: 72.7) Budget: 73.5 SPED: 10 budget, 11.22 actual</i>
2.	Public Revenue Received as a % of overall budget <i>Measures rate of receipt of public funds to date</i>	77%	78%	○	<i>Slight lag in Federal claims, confident all will be spent</i>
3.	Private Revenue Received as a % of overall budget <i>Measures progress against fundraising goals</i>	92%	92%	○	<i>There is a WA Charters grant payment scheduled for July</i>
4.	Expenditures to date as a % of overall budget <i>Measures actual spending against planned spending</i>	79%	83%	○	<i>10 months into FY = 83%; overall tracking well</i>
5.	Cash on Hand <i>Measures operational and financial stability</i>	Current: \$181k Proj: \$200k	\$145k	○	<i>Cash is in a healthy place to meet current fiscal obligations and is projected to meet 30 days cash</i>

Additional notes for discussion:

The following accounts have material (\$10k) variances or may end the year with material variances:

- Unfavorable variance: office expenses (\$7.5k) student recruitment (\$6k), interest accrual (\$18.8k)
- Favorable variances: transpo (\$15k), teachers (forecast: \$35k), social security (forecast: \$16k), SEBB (forecast: \$17k)

21-22 enrollment is finalized: 0.8 FTE variance to budget leading to a \$7.5k loss in funding compared to the budget revise

Current fiscal year count of missing documentation: ~\$21k



Pullman Community Montessori

Statement of Cash Flows

April - June, 2022

	APR 2022	MAY 2022	JUN 2022	TOTAL
OPERATING ACTIVITIES				
Net Revenue	-12,921.55	-63,362.19	-16,292.08	\$ -92,575.82
Adjustments to reconcile Net Revenue to Net Cash provided by operations:				\$0.00
1100 Accounts Receivable (A/R)	-166.09	103,826.59	508.48	\$104,168.98
1150 Prepaids & Other Assets	1,994.66	2,013.26	-9,203.40	\$ -5,195.48
2100 Accounts Payable	6,984.91	-15,288.94	29,746.62	\$21,442.59
2101 Accrued Accounts & Payroll Payable	-1,758.80	1,441.81	-6,772.26	\$ -7,089.25
2155 Retirement Payable - DRS	270.02	367.23	421.93	\$1,059.18
2156 Health Insurance Payable - SEBB	25.00	25.00	531.00	\$581.00
2158 LTD Payable	-4.22	0.78	3.25	\$ -0.19
2171 Use Tax Payable		8.69		\$8.69
Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:	7,345.48	92,394.42	15,235.62	\$114,975.52
Net cash provided by operating activities	\$ -5,576.07	\$29,032.23	\$ -1,056.46	\$22,399.70
INVESTING ACTIVITIES				
1510 Facilities - In Progress			-1,500.00	\$ -1,500.00
Net cash provided by investing activities	\$0.00	\$0.00	\$ -1,500.00	\$ -1,500.00
FINANCING ACTIVITIES				
2501 Construction Loan Payable	1,976.87	1,923.00	1,997.02	\$5,896.89
Net cash provided by financing activities	\$1,976.87	\$1,923.00	\$1,997.02	\$5,896.89
NET CASH INCREASE FOR PERIOD	\$ -3,599.20	\$30,955.23	\$ -559.44	\$26,796.59



Pullman Community Montessori FY 21-22 Budget Status Report June 2022

	Total			
	Actual	Budget	Over/(Under) Budget	% Received / Spent
Revenue				
Local Support	8,071.08	5,000.00	3,071.08	161.42%
State Revenue - General	633,459.91	784,175.00	-150,715.09	80.78%
State Revenue - Special Purpose	107,196.31	133,751.00	-26,554.69	80.15%
Federal Revenue	390,652.16	552,639.00	-161,986.84	70.69%
Grants & Other Sources	105,000.00	260,500.00	-155,500.00	40.31%
Total Revenue	\$ 1,244,379.46	\$ 1,736,065.00	-\$ 491,685.54	71.68%
Gross Profit	\$ 1,244,379.46	\$ 1,736,065.00	-\$ 491,685.54	71.68%
Expenditures				
Salaries	529,058.95	643,932.00	-114,873.05	82.16%
Personnel Taxes & Benefits	222,272.05	310,590.00	-88,317.95	71.56%
Contracted Services	262,337.26	323,794.00	-61,456.74	81.02%
School Operations	194,799.64	236,211.00	-41,411.36	82.47%
Facility Operations & Maintenance	170,469.25	179,368.00	-8,898.75	95.04%
Total Expenditures	\$ 1,378,937.15	\$ 1,693,895.00	-\$ 314,957.85	81.41%
Net Operating Revenue	-\$ 134,557.69	\$ 42,170.00	-\$ 176,727.69	-319.08%
Net Revenue	-\$ 134,557.69	\$ 42,170.00	-\$ 176,727.69	-319.08%
Capital Expenditures				
1501 Fixed Assets-Capitalized Equipment (Tech)	11,113.85	17,206.00	-6,092.15	64.59%
1504 Fixed Assets-Furniture, Fixtures & Other	0.00	46,710.00	-46,710.00	0.00%
Total Capital Expenditures	11,113.85	63,916.00	-52,802.15	17.39%
All Expenditures	1,390,051.00	1,757,811.00	-367,760.00	79.08%

AUDITING OFFICER CERTIFICATION AND APPROVAL
(CHAPTER 42.24 RCW)

I, the undersigned, do hereby certify under penalty of perjury for the following vouchers, that the materials have been furnished, the services rendered or the labor performed as described herein and that the claim is a just, due and unpaid obligation against Pullman Community Montessori, and that I am authorized to authenticate and certify so said claim.

Pullman Community Montessori General Fund

June AP register totaling: \$56,916.96

Pay dates within 06/01/22 - 06/30/22

Board Date 07/26/22

Signature of Auditing Officer

Date



Payroll Check Summary

Payroll Runs: 06/10/2022 and 06/24/2022

BOARD CERTIFICATION STATEMENT

Payments have been audited and certified by the Auditing Officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090. Those payments have been recorded on a listing which has been made available to the board.

As of July 26, 2022, the Board, by a _____ vote, approves payments totaling \$41,871.15. The payments are further identified in this document.

Total Payment by Type:
Payroll Direct Deposit (\$41,871.15)

Secretary	<u>Melisa Medalle</u>	Board Member	<u>Ayad Rahmani</u>
Board Member	<u>John Cassleman</u>	Board Member	_____
Board Member	<u>Aubree Guyton</u>	Board Member	_____
Board Member	<u>Beverley Wolff</u>		

Accounts Payable Register

June 2022

BOARD CERTIFICATION STATEMENT

Payments have been audited and certified by the Auditing Officer as required by RCW 42.24.080, and those expense reimbursement claims certified as required by RCW 42.24.090. Those payments have been recorded on a listing which has been made available to the board.

As of July 26, 2022, the Board, by a _____ vote, approves payments totaling \$56,916.96. The payments are further identified in this document.

Total Payment by Type:
Electronic Funds Transfer (\$56,916.96)
Reimbursement Direct Deposit (\$0)

Secretary	<u>Melisa Medalle</u>	Board Member	<u>Ayad Rahmani</u>
Board Member	<u>John Cassleman</u>	Board Member	_____
Board Member	<u>Aubree Guyton</u>	Board Member	_____
Board Member	<u>Beverley Wolff</u>		

Pullman Community Montessori

Bill Payment List

June 2022

DATE	NUM	VENDOR	AMOUNT
1000 Banner Bank x4353 - PUBLIC Checking			
06/13/2022		Ounce of Prevention	-3,260.00
06/08/2022	EFT	WA Dept of Retirement Systems	-10,256.06
06/11/2022	EFT	Joule Growth Partners	-8,000.00
06/11/2022	EFT	Friends of Gladish	-14,042.42
06/14/2022		Ccooper Services	-145.00
06/14/2022		FIRST Insurance Funding	-276.56
06/14/2022		Kids Discover	-144.00
06/14/2022		Nathaniel A Porter	-179.33
06/14/2022		Pacific Northwest Montessori Association	-100.00
06/14/2022		PresenceLearning, Inc	-2,645.00
06/14/2022		Spokane International Academy	-8,125.00
06/14/2022		The Standard Insurance Company	-115.30
06/14/2022		YMCA of the Palouse	-4,966.50
06/07/2022	EFT	Great American Insurance Group	-653.33
06/13/2022	EFT	URM Stores Inc	-4,008.46
Total for 1000 Banner Bank x4353 - PUBLIC Checking			\$ -56,916.96
Not Specified			
06/10/2022		Ounce of Prevention	0.00
Total for Not Specified			\$0.00

**Pullman Community Montessori
Payroll Summary**

Jun-22



Pay Code Totals

Custodian	-
Kitchen Staff	3,164.70
Office Administration	10,475.30
School Administration	7,500.00
Special Education Staff	5,374.94
Student Support Staff	8,904.56
Substitute Teacher	1,570.33
Teacher	17,038.31
Total	54,028.14

Deduction Totals

State Pension	3,738.03
State Employees Benefits Board	1,248.00
Supplemental LTD	118.55
Wage Garnishments	-
Federal Income Tax	3,544.05
Social Security	2,277.81
Medicare	765.33
WA Long Term Care Insurance	-
WA Workers' Comp Insurance	227.88
WA Family and Medical Leave Insurance	237.34
Total	12,156.99

Benefits Totals

State Pension	6,939.96
State Employees Benefits Board	11,132.00
Social Security	2,277.81
Medicare	765.33
WA SUI	554.51
WA EAF	10.80
WA Family and Medical Leave Insurance	-
WA Workers' Comp Insurance	450.72
Total	22,131.13

Direct Deposit Total **41,871.15**

Coversheet

Financial Policies Manual Updates

Section: II. Finance Committee (FC)
Item: D. Financial Policies Manual Updates
Purpose: Vote
Submitted by:
Related Material: FPPM Updates & Changes July 2022.docx
PCM Financial Policies and Procedures Manual Draft Updates.docx

Financial Policies & Procedures Manual Updates and Changes

Additions

- **Time and effort policy:** standard template time and effort policy added to match current practice.
- **Fundraising:**
 - General fundraising policy: blanket approval for PCM to undertake fundraising activities as long as the purpose is educational or extracurricular.
 - Student fundraising: blanket approval for PCM students to undertake fundraising activities which will eventually be donated to another nonprofit.
- **De minimis:** added language that treats expenses on personal reimbursements as de minimis, meaning regular rules don't necessarily apply. For example a receipt may not be required for a \$5 purchase or the gifting of public funds rule will not apply if a teacher purchases a small snack.
- **Automatic payments:** added language to allow automatic payments (required due to new food vendor). Stipulations include: Board must approve the contract up front; invoices must still be reviewed and approved as normal; quarterly reconciliation should be completed; and the automatic debit cannot exceed \$20,000 in a month.
- **Electronic filing:** added language to allow for electronic filing of most documents (AP packets, check disbursement packets, etc).
- **Extracurriculars & Core Ed Program:** policy added to allow general apportionment funds to be spent on extracurricular and other enrichment activities. Especially needed since Charter schools don't receive levy funding.
- **Cash disbursements & contracts:** added a section to allow for cash disbursements to be made without an invoice as long as the contract stipulates exactly how much is due per month (example: leases)
 - Language: In the event that a contract stipulates the exact amount due per month in a certain period (example: lease), an invoice is not required to process payment. The relevant section of the contract detailing the amounts due monthly will be sufficient for the cash disbursement packet.
 - Added language where appropriate that also delineates that a cash disbursement can be processed based on the contract, without an invoice. This was accomplished by adding "or contract" whenever the mention of an invoice being required was mentioned.

Removals

- **Revenue Recognition for Grants:** removed unnecessarily restrictive language.
- **Pledges or Grants Receivable:** removed language that does not conform to GAAP.
- **Government Cost-Reimbursement Contracts:** removed unnecessarily restrictive language.
- **Employee reimbursements:** removed the maximum \$1,000 for employee reimbursements. Since there aren't many reimbursements anyway, we don't want to create an artificial limit in case this ever goes over.

Changes

- **Capital expenditures approval:**
 - From: 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. If a capital expenditure of over \$40,000 that is not in the original budget must be made, it needs Board approval. Capital expenditures included in the board-approved budget are considered to be approved by the board with their review and approval of the budget.
 - To: **If a capital expenditure of over \$40,000 that is not in the original budget must be made, it needs Board approval. Capital expenditures included in the board-approved budget are considered to be approved by the board with their review and approval of the budget.** Commitments for capital expenditures exceeding that **amount and not included in the approved budget** 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.
 - Rationale: Avoids unnecessary administrative burden; strong controls still maintained via budget approval, monthly and quarterly budget to actual reviews, and monthly review of bill payments.
- **Bank reconciliation:**
 - From: The [bank reconciliation] 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.
 - To: The [bank reconciliation] report is submitted to the CFO-consultant for review, initialed, and emailed to the Head of School for review. The Financial Consultant files the statement and reconciliation report in the Bank Reconciliation electronic folder in date order, sorted by bank account.
 - Rationale: Avoids unnecessary administrative burden; strong controls still maintained via multiple reviewers of the bank reconciliation.

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Financial Policies and Procedures Manual

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Updated: July 2022

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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 School 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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117 **_Toc106011524**

118

119 **INTRODUCTION**

120 Pullman Community Montessori (PCM) is committed to developing and maintaining financial policies

121 and procedures that ensure sound internal controls, fiscal responsibility, and accountability in

122 accordance with the Generally Accepted Accounting Principles (GAAP), rules and regulations of the

123 Financial Accounting Standards Board (FASB), and Governmental Accounting Standards Board (GASB).

124 PCM will follow all the relevant laws and regulations that govern charter schools within the state of

125 Washington. As a nonprofit organization, PCM is entrusted with funds granted by government

126 agencies, private foundations, and individual contributors, and it will adhere to the highest standards of

127 accounting. Clear financial policies and procedures will enable PCM to meet its financial needs and

128 obligations, ensure long-term financial stability and viability, and protect its tangible assets and

129 reputation.

130

131 **Financial Policies**

132 1. PCM shall comply with applicable laws, rules, and regulations in regard to financial matters and

133 according to the terms of the contract by which it is bound.

134 2. Control procedures shall be in place to ensure the security of the organization’s assets.

135 3. Timely and accurate financial information shall be produced to fulfill all reporting requirements

136 and management needs.

137

138 **Financial Leadership and Management**

139 The financial management team of PCM consists of:

140

- Board of Trustees

141

- Treasurer of the Board of Trustees

142

- Board Finance Committee

143

- Head of School

144

- Contracted Chief Financial Officer and Accounting support (Financial Consultant)

145

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

148

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

154

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

160

161 The Head of School is responsible for administering PCM's adopted policies and ensuring compliance
162 with procedures that have been approved by the Board of Trustees. Exceptions to written policies may
163 only be made with the prior approval of the Finance Committee. Changes or amendments to these
164 policies shall be conducted by the Finance Committee and approved by the Board of Trustees every
165 year.

166

167 Any violation of these policies and procedures is considered to be cause for termination or removal and,
168 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:

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

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

223 **Organizational Chart:**

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

240
 241
 242 **Restricted Access:** Physical access to valuable and moveable assets is restricted to authorized
 243 personnel. Authorized personnel include: Head of School, Montessori Coach, designated teachers, and
 244 the Office Manager. Technology consultants, if hired, will also have access as needed.

245
 246 **Document Control:** In order to ensure that all necessary documents are captured by the accounting
 247 system, financial related documents must be dated when received, then filed sequentially by number or
 248 date. This can include, but is not limited to invoices, packing slips, contracts, etc. This can be done
 249 electronically.

250
 251 **Records Retention:** To provide an accurate and auditable record of all financial transactions, PCM's
 252 books, records, and accounts are maintained in conformity with generally accepted accounting principles

253 as required by Washington law, applicable to charter schools. Records will be maintained for the periods
 254 sufficient to satisfy IRS regulations, federal grant requirements, OMB A133 audit requirements, if
 255 applicable, and other legal needs as may be determined. Record retention requirements are reviewed
 256 annually with legal counsel and independent auditors to determine any necessary changes.

257
 258 **Processing Controls:** These are designed to identify any errors *before* they are posted to the general
 259 ledger. PCM's processing controls are the following: (1) Source document matching, when applicable
 260 (example: purchase approval and corresponding invoice); (2) Clerical accuracy of documents; and (3)
 261 General ledger account code checking.

262
 263 **Reconciliation Controls:** These are designed to identify any errors *after* transactions have been posted
 264 and the general ledger has been run. The process involves reconciling selected general ledger control
 265 accounts to subsidiary ledgers. Reconciliation is completed by the Financial Consultant and approved by
 266 PCM's Head of School.

267
 268 **Annual Independent Audit:** PCM's financial statements are audited annually by an independent audit
 269 firm selected by the Board of Trustees on the recommendation of the Finance Committee. The Finance
 270 Committee has the authority to request an entrance and exit conference with the auditor.

271
 272 **Security of Financial Data:** PCM's accounting software is accessible only to the Head of School and the
 273 Financial Consultant. Individual ID codes and passwords are in place for every user and limit their access
 274 and functionality depending on their role within PCM. All other hard copies of financial data, when not
 275 in use, will be secured in a closet or cabinet at PCM. All financial data and source documents are backed
 276 up in case of data loss.

277
 278 **Risk Assessment:** This is designed to identify, analyze, and manage risk relevant to the preparation of
 279 accurate financial statements. It includes mitigating risks involving internal and/or external factors that
 280 might adversely affect PCM's ability to properly record, process, summarize and report financial data.

281 282 **The Accounting Cycle**

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

287
 288 The component bookkeeping cycles fall into one of five primary functions:

289 **1) Revenue, Accounts Receivable, and Cash Receipts**

290 Key tasks in this area include:

- 291 • Processing cash receipts
- 292 • Making deposits
- 293 • Recording cash receipts in the general ledger and subsidiary records
- 294 • Performing month-end reconciliation procedures
- 295 • Processing general ledger integration for private donations/revenue
- 296 • Processing wire transfers into school accounts

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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

341 Consultant, will prepare the annual operating budget of income and expenses and the capital
 342 budget for PCM. These budgets and the 5-year projection are reviewed and approved annually,
 343 first by the Head of School, then by the Finance Committee of the Board and finally by PCM's
 344 Board of Trustees and modified as necessary, with approval by the last day of the closing fiscal
 345 year. This process is described below.

347 **5) Budgets and Financial Reporting**

348 ***The Laws***

- 349 RCW 28A.505.050
- 350 RCW 28A.505.150
- 351 RCW 28A.505.170
- 352 RCW 28A.505.180

353
 354 ***Budgets***

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

358
 359 Budgets are created annually and updated on as needed basis according to actual expenditures and
 360 programmatic changes that occur during the year. Creation of the annual operating budget and capital
 361 budget is an iterative process led by the Head of School but requires input from the Montessori Coach
 362 and the Financial Consultant. This input is necessary to ensure enrollment is accurately represented per
 363 the charter agreement, and to make certain the staff can properly support the proposed number of
 364 enrolled students. Critical school program expenses should be represented in the budgets to ensure
 365 reality is properly reflected. Historical information is used when available and applicable. The iterative
 366 process is repeated until the overall budget fairly represents the revenues and expenses for the
 367 operating budget, as well as the cash requirements for capital expenditures under the capital budget.

368
 369 State revenues are estimated by using Form F-203, Estimate for State Revenues. The data may be
 370 revised until the budget is adopted. The information supplied on Form F-203 is combined with other
 371 data and is used to estimate each school's state-funded allocations for each fiscal year.

372
 373 Upon completion of the budget, PCM shall publish a notice in accordance with RCW 28A.505.050
 374 stating: That PCM has completed the budget. That the budget is on file at the school. That a copy of the
 375 budget will be furnished to any person requesting one. That the board of directors will meet for the
 376 purpose of fixing and adopting the budget of PCM for the ensuing fiscal year. The date, time, and place
 377 of the board hearing which shall occur no later than August 31 for Charter Schools. That any person
 378 may appear at the public hearing and be heard for or against any part of the budget. Notice of public
 379 meetings shall be published at least once each week for two consecutive weeks in a newspaper of
 380 general circulation in PCM Additionally, each fiscal year, PCM's adopted official budget document
 381 (Form F-195 and F195F), shall be submitted in the format prescribed by OSPI.

382
 383 Once complete, the Head of School presents the overall budget to the Finance Committee for review.
 384 If/when the Committee is satisfied, the budget is then presented to the entire Board for a vote of

385 approval. The proposed budget must be submitted to the Commission by July 10th, if changes are
 386 made after July 10th, those must be communicated to the Commission by August 31st. The budget must
 387 be approved and passed before the start of the new fiscal year (August 31) and in accordance with the
 388 guidelines of the Office of the Superintendent of Public Instruction. Once approved, the implementation
 389 of, and accountability for, the budget is the sole responsibility of the Head of School.
 390

391 After approval, the Financial Consultant uploads the budget into the accounting system. This budget is
 392 then used to run monthly budget vs. actual expense reports that are shared with the Head of School.
 393 Differences of more than \$10,000.00 AND 10% are described in the notes section. The Head of School is
 394 responsible for making sure that significant differences are thoroughly researched and ultimately
 395 identified as either permanent or temporary variances. In addition, the Head of School ensures the
 396 Financial Consultant produces contingency budgets with extreme issues.
 397

398 From a day-to-day operational standpoint, the Head of School may work with the Treasurer of the
 399 Board of Trustees or the Chairperson of the Board of Trustees to resolve questions or issues related to
 400 the budget.
 401

402 ***Budget Extensions***

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

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

412 ***Financial Reporting***

413 One week before each Board meeting, the Finance Committee will review:

- 414 1) the budget vs. actual report for the operating budget;
- 415 2) the budget vs. actual report for the capital budget;
- 416 3) the Statement of Financial Position; and
- 417 4) the enrollment budget vs. actual report per grade for General Education and Special Education
 418 students.
 419

420 The Treasurer of the Board of Trustees will present these reports to the Finance Committee at each
 421 meeting and provide the full Board access. The Finance Committee may also request cash flow
 422 projections through the end of the fiscal year to identify the months that cash flow may run negative.
 423

424 In addition, monthly budget vs. actual reports for the operating budget and capital budget will be
 425 produced by the Financial Consultant for the Head of School by the 21st of each month.
 426

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

- 428 1) Statement of Financial Position

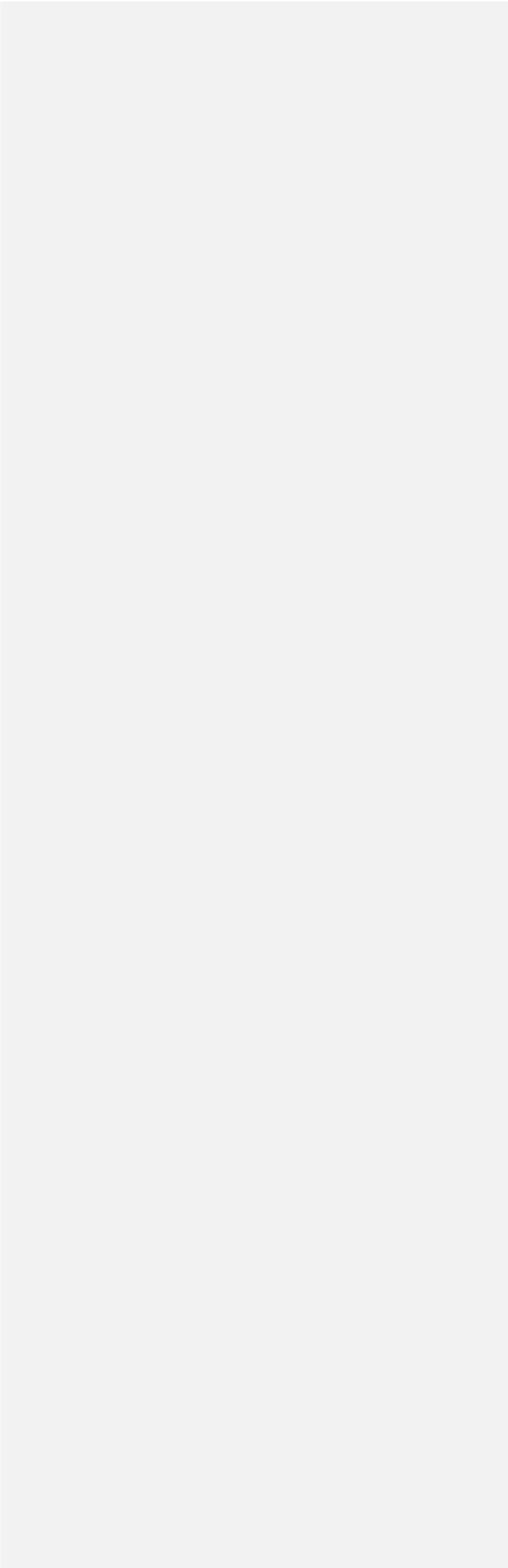
Commented [MP1]: Update per JC:

"Finance Committee will review:"

- 429 2) Statement of Activity
- 430 3) Statement of Cash Flows
- 431 4) Statement of Functional Expenses

432
 433 Quarterly financial reports for the Commission will be prepared by the Financial Consultant (third party
 434 service provider) and reviewed by the Head of School in compliance with generally accepted
 435 accounting principles. Such reports shall be submitted to the Commission 45 days after the quarter end
 436 for quarters 1, 2 and 3 and 180 days after the year end. The form of the quarterly reports will be
 437 determined by the Commission. Fourth quarter and year end reports shall be submitted with the annual
 438 independent financial audit.

439
 440 PCM will comply with all necessary non-profit corporation financial and informational filing
 441 requirements, including IRS form 990.



2

SUMMARY OF ACCOUNT STRUCTURE

442

443

444

445 **The Laws**

446 RCW 28A.710.220

447

448 **Assets**

449 ***Types of Equity***

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

- 451 1. Net Assets With Donor Restrictions
- 452 2. Net Assets Without Donor Restrictions

453

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

455

456 ***Cash and Cash Equivalents***

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

458

459 ***Grants Receivable***

460 Grants receivable include money that PCM expects to receive from government or private sources.

461 Donation letters or pledges are also considered grants receivable.

462

463 ***Property and Equipment***

464 Property and equipment includes the assets used by PCM for activities and programs that have an

465 estimated useful life longer than one year. For PCM, fixed assets primarily consist of musical

466 instruments, classroom equipment, furniture, computers, and computer software.

467

468 Purchased property and equipment is recorded at cost. Donated property and equipment are recorded

469 at fair market value at the date of donation. Acquisition costs include all costs necessary to bring the

470 asset to its location in working condition, including:

- 471 • Sales tax, if any
- 472 • Freight
- 473 • Installation costs
- 474 • Direct and indirect costs, including interest, incurred in construction.

475

476 **Liabilities**

477 ***Accounts Payable***

478 Accounts payable include costs and expenses that are billed through a vendor invoice or contract, and

479 are recorded at the invoice or contract amount. Vendors and suppliers are paid as their payment terms

480 require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a

481 greatest dependency/greatest need basis.

482 **Capital Lease Obligation**

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

486 **Accrued Liabilities**

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

490 **Debt**

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

497 Per the Statement of Assurances signed in PCM’s charter application, to the extent it issues secured and
 498 unsecured debt, including pledging, assigning, or encumbering its assets to be used as collateral for
 499 loans or extensions of credit to manage cash flow, improve operations, or finance the acquisition of real
 500 property or equipment, PCM shall not pledge, assign, or encumber any public funds, such as student
 501 enrollment reporting money or local levy money, received or to be received pursuant to RCW
 502 28A.710.220.

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

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

510 **Revenue**

511 **Private Contributions**

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

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

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

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

524 **Expenses**

525 **Types of Expenses**

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

527

528 **Functional Classifications:**

- 529 a. **Program Service Expense:** the direct and indirect costs related to providing education and
- 530 other services consistent with PCM's mission.
- 531 b. **Management & General Expenses:** expenses for other activities related to the purpose for
- 532 which the organization exists. These relate to the overall direction of the organization and
- 533 include expenses for the activities of the governing board, business management, general record
- 534 keeping, and budgeting.
- 535 c. **Fundraising Expenses:** costs of all activities that constitute appeal for financial support and
- 536 include costs of personnel, professional consultants, rent, printing, postage, telephone, etc.
- 537

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

3

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

580 completed, all documents are sequentially filed in a locked cabinet at the school or electronically. The
 581 above tasks should not be completed by anyone who has direct use of the accounting system.

582
 583 The Office Manager will staple the photocopy of the check and all correspondence (check copy on top)
 584 together and will be retained and filed sequentially in an electronic tracking system, original copies
 585 received in paper format may be kept in paper format in a folder or binder, sorted by bank account
 586 number and in date order.

587
 588 When a donation is received, a pre-numbered contribution acknowledgement letter will be drafted by
 589 the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager.

590
 591 Whenever reasonably possible, the Office Manager or Head of School will deposit all checks on the day
 592 received. At the latest, checks must be deposited no later than within 5 business days. Checks that
 593 cannot be deposited immediately will be placed in a locked location. Before depositing a check, the
 594 Office Manager or Head of School will prepare a deposit slip, copy it, and staple this to the copied
 595 check. When deposited, a deposit receipt with bank-endorsed proof of deposit will be obtained for each
 596 check. The office manager will scan and email the deposit slip and receipt to the Financial Consultant
 597 after the deposit is made. Paper copies can be filed in the Cash Receipts Folder or Binder but the main
 598 system of record is electronic.

599
 600 Deposits may be recorded either as cash receipts, invoices, or as general ledger entries. After the check
 601 has been deposited, the Financial Consultant records the receipt of funds in the accounting system,
 602 organized by check number, date, and name. If an invoice has already been created, then the deposit
 603 will be applied against the outstanding invoice(s). If not, a sales invoice is created, recognizing the
 604 revenue in the correct month(s). If the cash is not yet earned, it will be applied against the deferred
 605 revenues/unearned income general ledger account.

606
 607 **Processing and Recording Revenue**

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

614
 615 Inasmuch as the quality of grant agreements impacts its financial strength, PCM is committed to
 616 absolute adherence to this requirement in its reporting system. Accordingly, a reporting calendar shall
 617 be established wherein grantor accountability deadlines are tracked for compliance purposes.

618
 619 **Processing Wire Transfers into School Accounts**

620 Government contracts which execute payments via wire transfer remit a wire transfer advice indicating
 621 the date and amount of the funds to be deposited in PCM's account. This wire transfer advice is
 622 processed in the same fashion as a deposit to the bank; with mail opened by the Office Manager or
 623 Head of School and electronic delivery of wire transfer notices to the Financial Consultant. All relevant

624 documentation (wire transfer advice, wire transfer confirmation, Cash Receipts Journal, etc.) will be
 625 retained and filed sequentially in an electronic tracking system, and original copies received in paper
 626 format will be kept in paper format in a folder or binder.

627
 628 ***Processing and Recording Transfers within School Accounts***

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

634
 635 Transfers between PCM bank accounts shall be made only when properly authorized. Only the Head of
 636 Schools, Board Chair, Vice-Chair, Finance Committee Chair, or the Treasurer can authorize transfers to
 637 and from the investment account – approval must be recorded by email. An email request is to be
 638 submitted directly to the authorized individuals listed above. A Cash Need/Wire Log will be up kept in
 639 order to record the transfers between the checking and investment accounts. In the event none of the
 640 individuals are available for approval, the Finance Committee of the Board of Directors will be able to
 641 approve transfers.

642
 643 Once transfer is authorized by the proper individual(s) and executed, the Cash Need/Wire Log will be
 644 updated as such.

645
 646 ***Revenue Recognition for Grants***

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

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655
 656 ***Pledges or Grants Receivable***

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

662
 663 When revenues are earned yet the cash has not been received for all or a portion of the grant/pledge, a
 664 receivable is recorded in the accounting system. When PCM receives an Unconditional Pledge to
 665 Contribute, it will be acknowledged in a pre-numbered contribution acknowledgement letter drafted by
 666 the Office Manager, signed by the Head of School, and sent to the donor by the Office Manager. The
 667 Financial Consultant will enter the amount of the pledge into the general ledger, discounting to their

668 present value any pledges that go beyond a year. PCM will only recognize the pledge as revenue when
 669 it is actually paid to PCM, just as it does for all other restricted funding. The Financial Consultant will
 670 evaluate all Pledges to Contribute quarterly to verify that each item is still collectible.

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671
 672 **Revenue Recognition for Per Capita funding**

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

675
 676 **Government Cost-Reimbursement Contracts**

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

Commented [MP4]: Remove

681
 682 **Donated Goods and Services**

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

692
 693 **Donated Materials and Supplies**

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

702
 703 **Donated Property and Equipment**

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

709
 710 **Donated Stocks**

711 In the event that PCM receives donated stocks from a donor, the Financial Consultant records and

712 valuates these stocks in the accounting system at the time of receipt. When stocks are donated to PCM,
713 a pre-numbered contribution acknowledgement letter stating the value of the donated stocks will be
714 drafted by the Office Manager, signed by the Head of School, and sent to the donor by the Office
715 Manager. General Ledger entries are recorded to recognize transactions related to the donation of
716 stocks.

717
718 **Accounts Receivable Aging**

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

4

PROCESSING PURCHASES

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Background

727

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

728

accounting principles.

729

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By the adoption of the operating budget by the Board of Trustees, the Head of School becomes both

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responsible for, and generally authorized to expend, the amounts budgeted. This authorization may,

732

however, be qualified by Board action based upon availability of funds. Such a qualification may

733

necessitate a prioritization of expenditures based upon an incremental implementation of the

734

organization’s priorities.

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The Laws

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RCW 28A.710.040

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

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Chapter. 39.34 RCW Interlocal Cooperation Act

740

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

741

Increased thresholds:

742

[https://www.federalregister.gov/documents/2020/07/02/2020-12763/federal-acquisition-regulation-](https://www.federalregister.gov/documents/2020/07/02/2020-12763/federal-acquisition-regulation-increased-micro-purchase-and-simplified-acquisition-thresholds)

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[increased-micro-purchase-and-simplified-acquisition-thresholds](https://www.federalregister.gov/documents/2020/07/02/2020-12763/federal-acquisition-regulation-increased-micro-purchase-and-simplified-acquisition-thresholds)

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[https://smallgovcon.com/statutes-and-regulations/far-final-rule-increased-micro-purchase-and-](https://smallgovcon.com/statutes-and-regulations/far-final-rule-increased-micro-purchase-and-simplified-acquisition-thresholds/)

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[simplified-acquisition-thresholds/](https://smallgovcon.com/statutes-and-regulations/far-final-rule-increased-micro-purchase-and-simplified-acquisition-thresholds/)

746

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

747

Federal Awards

748

2 CFR 200.67 Micro-purchase

749

2 CFR 200.88 Simplified Acquisition Threshold

750

2 CFR §200.318 – General Procurement Standards

751

2 CFR 200.320 Methods of Procurement to be Followed

752

2 CFR 3485 Non-procurement Debarment and Suspension

753

2 CFR 200.520 Criteria for a low-risk auditee

754

Capital Budget Authority

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While a capital budget may be approved, the authority of the Head of School to solely commit to

757

individual expenditures under that budget is limited to \$40,000.00 per transaction. If a capital

758

expenditure of over \$40,000 that is not in the original budget must be made, it needs Board approval.

759

Capital expenditures included in the board-approved budget are considered to be approved by the

760

board with their review and approval of the budget.

761

762

Commitments for capital expenditures exceeding that amount and not included in the approved

763 budget must have the co-signature of either the Board Treasurer, Chairperson of the Board, Vice-Chair
 764 of the Board, or the Chair of the Finance Committee. A capital expenditure is defined as an expenditure
 765 for fixed assets exceeding \$5,000.00.

766
 767
 768 **Procurement, Bid, and Request for Proposal Requirements**

769 The School recognizes the importance of:

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

776
 777 Depending on the type of funds used, the School utilizes the guidelines below.

778 **1) Procurement using Federal Funds**

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

780 *i. Types of Procurement & Thresholds*

781 There are four types of procurement according to the Code of Federal Regulation section
 782 80.36 of Title 34:

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

787
 788 *ii. Procurement Processes*

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

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

802
 803 **Competitive proposal procedures:** the School will follow the format for competitive
 804 bidding process by:

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

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

832 **Noncompetitive proposals**, also known as “sole source,” are permitted only in the

833 following instances:

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

845 The School must maintain documentation supporting the applicable circumstance for

846 noncompetitive procurement.

847

848 **iii. Suspension and Debarment**

849 Before entering into federally funded vendor contracts for goods and services that equal or

850 exceed \$25,000 and any subcontract award, the school will ensure the vendor is not suspended

851 or debarred from participating in federal assistance programs.

852
853 **iv. Conflict of Interest**

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

860
861 No employee, officer, or agent of the school may solicit or accept gratuities, favors, or anything of
862 monetary value from contractors or parties to subcontracts. Violation of these standards may result
863 in disciplinary action including, but not limited to, suspension, dismissal, or removal.

864
865 **2) Procurement using State Funds**

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

871 **A. Types of Procurement & Thresholds**

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

876
877 **B. Procurement Processes**

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

879
880 **C. Interlocal Cooperation Act**

881 The School reserves the right to enter into inter-local cooperative agreements for purchases and
882 public works with other governmental agencies pursuant to the Interlocal Cooperation Act, Chapter
883 39.34 RCW.

884
885 **D. Crimes Against Children**

886 The School will include in any contract for services with an entity or individual other than an
887 employee of the school a provision requiring the contractor to prohibit any employee of the
888 contractor from working at a public school who has contact with children at a public school during
889 the course of his or her employment and who has pled guilty to or been convicted of any felony
890 crime specified under RCW 28A.400.322. The contract shall also contain a provision that any failure
891 to comply with this section shall be grounds for the school immediately terminating the contract.

892
893 **3) When using Private Funds**

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

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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.
 - Quotes can be solicited directly from a vendor by phone or email
 - 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.

4) 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.

Commented [MP5]: Recommend removing

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

939 thresholds apply to the entire order, not single items. For instance, although one computer may cost
940 \$1,500.00 (under the \$40,000 threshold requiring competitive bidding), if 27 computers are being
941 requested, the order total will be \$40,500.00 (above the \$40,000 threshold), and as such, require bids
942 from at least three vendors. The Head of Schools and Office Manager are responsible for conducting all
943 competitive bidding procedures, when required. In these cases, all documentation of applicable bids
944 and/or quotes obtained will be retained and filed in an electronic tracking system, and original copies
945 received in paper format will be kept in paper format in a folder or binder.

946
947 The Head of Schools and Office Manager will coordinate with the Financial Consultant to create a
948 Purchase Order (PO) when necessary. All Purchase Orders must be approved by the Head of Schools,
949 either by an in-person signature or by email.

950
951 Once the Purchase Order is approved with the proper signatures, the Office Manager reviews the PO for
952 accuracy of dates, account coding, quantities, and arithmetic extensions. The Office Manager of Head of
953 Schools then sends the order to the vendor, accompanied by any required documentation. Once
954 ordered, the Office Manager will retain and file them sequentially in an electronic tracking system, and
955 original copies received in paper format will be kept in paper format in a folder or binder

956
957 **Receipt of Goods**

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

964
965 If everything is not correct with the order, the Office Manager will contact the vendor for a return/credit
966 to the account. When discrepancies occur, they are investigated and resolved by the Head of School.

967
968 **Reimbursable Expenses**

969 In situations where a purchase is required in short order and the total of the purchase is under
970 \$1,000.00, staff may make the purchase with their own funds and apply for reimbursement. Please note,
971 teachers may only acquire up to \$1,000.00 worth of materials under this policy per academic year. In the
972 event that the Head of School requires reimbursement, the Treasurer of the Board must approve their
973 expenses.

974
975 Receipts are required for all expenditures requiring reimbursement. Once expenses have been incurred,
976 requests for reimbursement should be made within 30 days of expense via an Expense Reimbursement
977 form. All receipts should be taped onto blank sheets of paper and attached to the form. These
978 documents are submitted to the Head of School for review and approval.

979
980 Only expenses with an educational purpose will be considered for reimbursement.

981
982 If an employee is issued a credit card, their use of the card should be limited to business expenses, and

983 they are responsible for ensuring that all receipts for purchases are turned in as purchases are made.

984

985 **Credit Card Purchases**

986 PCM's credit cards will be provided to the Head of School and Montessori Coach. Credit card use is to be
987 generally restricted to the making of travel arrangements for trustees and staff and for making
988 arrangements with hotels and conference facilities for approved travel and meetings. The credit card can
989 also be used for accounts payable or other day-to-day transactions only if absolutely necessary. The
990 credit card may be used for capital expenditures, but all approval and budgetary restrictions as outlined
991 in this policy manual shall apply.

992

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

999

1000 Once the form is returned to the requestor with proper approval, the cardholder may execute the
1001 purchase, making sure to retain all receipts.

1002

1003 The approved Credit Card Purchase Request form and receipt(s) are submitted to the Financial
1004 Consultant for processing. This includes the coding of each expense for the month, so that each can be
1005 properly recorded. If there is any question as to how to code a particular expense, the Head of School
1006 consults with the Consulting Financial Officer for clarification. If the Head of School is unavailable, the
1007 unclear expense is booked to the suspense account, which will be cleared when the month-end
1008 financials are produced or as the Head of School is able to respond. The Financial Consultant pays all
1009 monthly credit card bills in full. The charges are entered in the accounting software by the Financial
1010 Consultant and reconciled by the Financial Consultant. All bills and invoices will be retained and filed
1011 sequentially in an electronic tracking system, and original copies received in paper format will be kept
1012 in paper format in a folder or binder.

5

PROCESSING CASH DISBURSEMENTS

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Processing Invoices

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

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1019

1020

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.

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1024

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 (if applicable). This expanded packet is now a complete Cash Disbursement packet (invoice or contract/packing slip/purchase order/purchase request).

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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.

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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.

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In the event that a contract stipulates the exact amount due per month in a certain period (example: lease), an invoice is not required to process payment. The relevant section of the contract detailing the amounts due monthly will be sufficient for the cash disbursement packet.

1041

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1043

1044

Cutting Checks

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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.

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Checks are run on a bi-weekly or monthly basis, and vendors are paid based on terms of the invoices or contracts, 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.

1050

1051

1052

- 1053 The Head of School, Treasurer of the Board of Trustees, and Chairperson of the Board of Trustees are
 1054 signatories on the checking account. The Head of School's limit on approval is \$20,000 – if a check is
 1055 for more than this amount, a second approval from the Treasurer or Chairperson of the Board is
 1056 required.
- 1057
 1058 The Financial Consultant must obtain one, or two if needed, of the individuals listed above's approval
 1059 prior to processing any cash disbursement.
- 1060
 1061 The Financial Consultant utilizes an online bill pay system that sends checks to vendors. The Financial
 1062 Consultant processes payment for approved invoices or contract payments by creating a check
 1063 payment listing for approval. The listing is sent electronically to the required signatories (see above) for
 1064 approval, along with the corresponding Cash Disbursement packet (invoice or contract/packing
 1065 slip/purchase order/purchase request/email approval). Approval may be in written form or by email. At
 1066 the time the listing is approved, any required signatories should review the supporting documentation
 1067 to ensure they are approving a check for the correct amount and to the correct payee. The check stub
 1068 or copy of the check(s) will be retained and filed sequentially in an electronic tracking system, and
 1069 original copies received in paper format will be kept in paper format in a folder or binder. The Financial
 1070 Consultant utilizes the online bill payment system to send payment to the vendor awaiting payment.
 1071 Electronic fund transfers may also be used, where the same authorizations as checks will be obtained.
- 1072
 1073 In no event shall an authorized signatory approve an invoice, execute a check, or authorize a
 1074 disbursement of any kind, payable to themselves.
- 1075
 1076 Any and all voided checks should be stamped "void" with the date and filed in the Cash Disbursements
 1077 Binder in check number order.
- 1078
 1079 **Online/Phone/Fax/EFT Payments**
 1080 Payments made online or by phone, fax, or electronic funds transfer (EFT) may be processed by the
 1081 Financial Consultant if approved by the proper signatories (detailed above). Any such payment is
 1082 documented by electronically filing a copy of the receipt. The Accounting software creates journal
 1083 entries based on the vendor as cash is credited and the appropriate expense type is debited. Electronic
 1084 payments will be recognized in the Accounting software just as if it were a check, by entering a unique
 1085 transaction number in place of the check number. The Electronic Cash Disbursement packet, composed
 1086 of proper approval, invoice or contract, and any other supporting documentation, will be retained and
 1087 filed sequentially in an electronic tracking system, and original copies received in paper format will be
 1088 kept in paper format in a folder or binder.
- 1089
 1090 **Recurring Expenses**
 1091 Recurring expenses do not require any sort of special treatment. Payments for goods and services that
 1092 are required on a regular basis (e.g. equipment lease, insurance payments, rent) are handled in the same
 1093 manner as non-recurring expenses, as described above.
- 1094
 1095 **Automatic Payments**
 1096 In the instance that a preferred or sole source vendor requires automatic payments, the following

1097 actions must occur: (1) the Board must approve the contract up front, including an estimated yearly
 1098 total amount; (2) invoices or contracts must be reviewed, approved, and stored as normal; (3) quarterly
 1099 reconciliations must be completed to ensure the vendor has only debited the appropriate amount; (4)
 1100 the automatic debit cannot be over \$20,000 a month

1101

1102 De Minimis

1103 The school will consider any purchase amount or prize, award, or incentive amount equal to or less than
 1104 \$75.00 (seventy-five) dollars (including tax and shipping) to be de minimis, with the exception of any
 1105 expenditures for lodging.

1106

1107 Accounts Payable Aging

1108 Accounts payable outstanding are aged on a thirty, sixty, ninety, and over ninety-day basis. The Financial
 1109 Consultant should review the accounts payable aging monthly, determine the available cash balances
 1110 while taking into consideration other cash requirements in the near future, and select items to pay.

1111

1112

1113 Petty Cash Account

1114 It is the policy of PCM not to use petty cash and instead to reimburse employees for pre-approved
 1115 expenses.

1116

1117 Insurance Coverage

1118 Insurance coverage is maintained pursuant to applicable law.

1119

1120 The Board of Trustees and Head of School will conduct a semiannual review of coverage amounts. The
 1121 purpose of this review will be to ensure there are adequate means by which to preserve PCM's assets
 1122 and lower the risk of being underinsured. Any proposed changes must be approved by the Board of
 1123 Trustees and recorded in board meeting minutes. New coverages will be executed by the Head of
 1124 School. The Head of School is responsible for procuring annual renewals with PCM's insurance broker.
 1125 Quotes for renewal will be procured at least one month in advance of a policy's expiration, and
 1126 presented to the Head of School for review and approval. The Treasurer of the Board of Trustees
 1127 participates in this review.

1128

1129 The Head of School maintains original, or electronic, copies of all insurance policies at PCM will be
 1130 retained and filed sequentially in an electronic tracking system, and original copies received in paper
 1131 format will be kept in paper format in a folder or binder. A new binder or folder is created for each fiscal
 1132 year. When possible, copies of all current insurance policies are saved electronically on a server where
 1133 the leadership team can view and access the information.

1134

1135 PCM requires proof of adequate insurance coverage from all prospective contractors, as deemed
 1136 applicable by the Board of Trustees.

1137

1138 Political Contributions

1139 No funds or assets by PCM may be contributed to any political party or organization or to any
 1140 individual who either holds public office or is a candidate for public office. PCM also cannot be involved

1141 with any committee or other organization that raises funds for political purposes. Examples of
1142 prohibited activities are:

- 1143** • Political contributions by an employee that are reimbursed by PCM organization.
- 1144** • Purchase by the organization of tickets for political fundraising events.
- 1145** • Contributions in kind, such as lending employees to political parties or using school assets in
1146 political campaigns.

6

MANAGEMENT OF CASH

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1149

1150 **Accounts**

1151 PCM banks with Banner Bank and has a total of two bank accounts. Both will be checking accounts,
 1152 with two accounts maintained to ensure the segregation of public and private funds (at the school's
 1153 discretion, if desired). The PCM accounts have 3 Authorized Signers: the Head of School, Treasurer of
 1154 the Board of Trustees, and Chairperson of the Board of Trustees.

1155

1156 In the event PCM wishes to open a new bank account, board approval is required. As part of the
 1157 approval, the Board must describe the purpose of the account, signatories, and signatories' authority.
 1158 The vote to approve and all associated determinations must be recorded in the board minutes. Should
 1159 PCM wish to close a bank account, Board approval is also required and will be documented in board
 1160 minutes. PCM recognizes that federal insurance on deposits with any bank is limited to a total of
 1161 \$250,000.00, regardless of the number of accounts held. In the event the balance in a school account is
 1162 anticipated to be in excess of the insurance coverage, a "re-positioning" agreement is to be negotiated
 1163 with the financial institution in order to secure such deposits in excess of federal coverage.

1164

1165 **Bank Statements**

1166 When bank statements are received at PCM each statement is submitted to the Financial Consultant to
 1167 complete the bank reconciliation.

1168

1169 **Bank Reconciliation**

1170 Reconciliations are prepared monthly for all bank accounts. This preparation is accomplished by the
 1171 Financial Consultant, who identifies reconciling items to ensure that cash is being accounted for
 1172 properly. Any irregularities shall immediately be reported to the Head of School and the Treasurer of
 1173 the Board of Trustees. A bank reconciliation report from the accounting software showing the
 1174 unreconciled amount as zero is printed and attached to the bank statement. The report is submitted to
 1175 the CFO-consultant for review, initialed, and emailed to the Head of School for review. The Financial
 1176 Consultant files the statement and reconciliation report in the Bank Reconciliation electronic folder in
 1177 date order, sorted by bank account.

1178

1179 **Related Party Transactions**

1180 There are instances where related parties may incur expenses of behalf of each other. For example, it is
 1181 possible that PCM might incur expenses on behalf of Friends of PCM, and vice versa. On a quarterly
 1182 basis, the accounting will be reconciled between the two entities to ensure that there are no funds
 1183 owed from one entity to the other at the end of the fiscal year.

1184

1185 **Investment of Funds**

1186 At present, PCM does not have any investment accounts. As such, this section does not currently apply

1187 to PCM. When PCM has funds available for investment, the following policies will apply.

1188

1189 The Board of Trustees sets the investment policy for PCM. The investment policy provides general
 1190 guidelines regarding the type of investments deemed appropriate and the objectives of each
 1191 investment (e.g., overnight deposits for excess cash, 90-day Treasury notes for excess working capital,
 1192 etc.). The Treasurer of the Board of Trustees has been designated to implement the Board's investment
 1193 policy. The Head of School, with support from the Financial Consultant, has been granted authority to:

- 1194 • Purchase and sell investments
- 1195 • Have access to investment certificates
- 1196 • Keep records of investments and investment earnings
- 1197 • Review and approve investment accounting, bank and broker statement reconciliations,
 1198 adjustments to the carrying value of investments, and other decisions regarding investments

1199

1200 ***Authorization of Investment Vehicles***

1201 The organization's Board of Trustees authorizes use of specific depository and
 1202 investment banks and brokerage firms. This authorization is documented in the minutes of the
 1203 applicable board meeting and communicated to the Head of School. The Head of School, with support
 1204 as the Financial Consultant, communicates the authorization and a list of those personnel designated
 1205 as authorized agents for the agency to the appropriate banks and firms. As a part of the authorization
 1206 process, the Board Treasurer in consultation with the Head of School and Financial Consultant evaluates
 1207 the organization's prior relationship with banks and brokerage firms to determine suitability for renewal.
 1208 Such evaluation considers service responsiveness, types of investments offered, quality of investment
 1209 advice, service and transaction charges, and any other relevant criteria.

1210

1211 ***Authorization of Investments***

1212 All transactions regarding investments must be properly authorized by the Head of School. Such
 1213 transactions include:

- 1214 • Purchases
- 1215 • Sales
- 1216 • Movement to and from safekeeping (the physical safeguarding of assets through use of a vault,
 1217 safe deposit box, or independent custodian)

1218

1219 ***Investment Purchases***

1220 Investment purchases are made by check or bank transfer after compliance with the following
 1221 procedures:

- 1222 • A determination that the purchase transaction is properly authorized in accordance with agency
 1223 policy
- 1224 • Preparation of a check requisition or a bank transfer request to accompany the investment
 1225 purchase/sale authorization form, if the bank has one.

1226

1227 ***Investment Sales***

1228 Investment sales are transacted after compliance with the following procedures:

- 1229 • A determination that the sale transaction is properly authorized

1230

1231 ***Investment Sales Gain or Loss***

1232 The Financial Consultant will calculate the expected gain or loss upon sale or other disposition of an
1233 investment, before a decision regarding the sale is finalized. The calculation is updated/finalized
1234 subsequent to the sale.

1235

1236 ***Investment Sales Proceeds***

1237 Proceeds from the sale of investments are received either by check or bank transfer, to the attention of
1238 the Head of School, and sent to the Financial Consultant for filing.

1239

1240

1241 ***Investment Results***

1242 Investment results are sent out by the bank, or agency, holding the investments. The results are
1243 recorded by the Financial consultant in the accounting software.

1244

1245 ***Reconciliation of Investment Accounts***

1246 Investment account balances are reconciled with the bank or agency statements, by the Financial
1247 Consultant on a monthly or quarterly basis. Such reconciliation is reviewed and approved by the Head
1248 of School.

1249

1250 ***Investment Account Balances Agreed to Third Party Statements***

1251 Amounts recorded on the general ledger and supporting schedules are reconciled to third-party
1252 statements at least quarterly and preferably monthly, if possible.

7

PAYROLL

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Hiring

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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.

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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.

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Salary Determination

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

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Returning Instructional Staff, Administrators and Non-Instructional Staff

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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.

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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.

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Compensation Accrual

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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.

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1293 Employees vs. Independent Contractors

1294 When PCM makes the choice to utilize an independent contractor, legal counsel will be consulted to
1295 ensure the appropriate designation is chosen.

1296
1297 The decision will be based on RCW 50.04.145 and the Employment Security Department of
1298 Washington’s Independent Contractor test.
1299

1300 Utilization of Independent Contractors/Consultants

1301 Once the determination has been made that a worker is an independent contractor, PCM creates a
1302 written contract directly identifying the individual’s status as an independent contractor and detailing
1303 why the relationship is as such. Part of the contract should enumerate the rights and responsibilities on
1304 both sides of the independent contractor agreement. This includes clearly identifying the worker’s
1305 responsibility to pay estimated tax, self-employment tax, and so on. The utilization of all consultants and
1306 contract personnel are sufficiently evidenced by:

- 1307** a) Details of all agreements (e.g., work requirements, rate of compensation, and nature and amount
1308 of other expenses, if any) with the individuals or organizations providing the services and details
1309 of actual services performed.
- 1310** b) Invoices or billings submitted by consultants, including sufficient detail as to the time expended
1311 and nature of the actual services performed.
- 1312** c) The use of a management contract for educational and administrative services will clearly
1313 identify the contractor’s performance requirements, including students’ academic achievement,
1314 contractor’s compensation and PCM’S rights to educational curricula and intellectual property
1315 developed (if applicable).

1316 In processing payment for any independent contractor, a W-9 form must be filled out prior to issuance
1317 of the first payment for services provided. In all cases where compensation exceeded \$600.00, a 1099-
1318 NEC will be issued, as required by law.
1319

1320 Obtaining Payroll Information

1321 The Head of School, with support from the Financial Consultant, is responsible for the following:
1322

1323 Establishing a Personnel File for Each Employee

1324 The personnel file serves as a chronological performance record throughout the employee’s tenure with
1325 the organization and, as such, is kept secure and confidential. Personnel records are kept for a minimum
1326 of 10 years. All personnel files must be kept in a locked file cabinet or in a secure online folder. Access
1327 to such personnel files is limited to the Financial Consultant, Montessori Coach, and the Head of School.
1328

1329 Employee files are the sole property of PCM and will be kept electronically. No employee can review or
1330 access their own personnel file without the written permission of the Head of School. The employee will
1331 be provided with the opportunity to rebut and respond to any document contained in the personnel
1332 file in writing. All materials associated with the rebuttal and response shall stay in the personnel file.
1333 Any employee may examine their personnel file in the presence of the Head of School or their
1334 designee. The employee may take written notes concerning the contents of the personnel file and may
1335 add comments for inclusion in the file. No personnel file is to be copied or deleted where it is kept
1336 unless expressly permitted in writing by the Head of School.

1337 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	

1338

I-9s, (including copies of Driver’s Licenses/State IDs and Social Security Cards or Passports), are kept

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electronically for each employee as required by the U.S. Department of Homeland Security. All

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information entered on the I-9 is verified by the Head of School or Montessori Coach-Director of

1341

Academic Programs, who signs off on the form after seeing original copies of all required

1342

documentation (copies are only made for the file, and are not acceptable forms of initial verification).

1343

1344

1345

PCM complies with the laws and general principles of employee confidentiality as set forth in the Health

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Insurance Portability and Accountability Act (HIPAA) with regard to the dissemination of private health

1347

information (PHI) of school employees. In order to comply with all rules and regulations, including the

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Americans with Disabilities Act (ADA), PCM will keep all medical records and all other necessary

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documents separate from the personnel file. Employees should consult with the Head of School for

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further information concerning PCM’s privacy practices.

1351

Employee Information

1352

In order to prepare a payroll, the Financial Consultant obtains and maintains the following information

1353

for each employee:

1354

Information	Source of Data
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

1355

1356 **Analyzing Job Information**

1357 The Fair Labor Standards Act (FLSA) sets employee minimum wage and overtime requirements. Job
 1358 positions are classified as either exempt or non-exempt from the requirements. These requirements are
 1359 linked as follows and are adhered to by PCM: [FLSA Exemption Rules](#)

1360

1361 **NON-EXEMPT employees** Covered nonexempt employees must receive overtime pay for hours
 1362 worked over 40 per workweek (any fixed and regularly recurring period of 168 hours – seven
 1363 consecutive 24-hour periods) at a rate not less than one and one-half times the regular rate of pay.
 1364 There is no limit on the number of hours employees 16 years or older may work in any workweek. The
 1365 FLSA does not require overtime pay for work on weekends, holidays, or regular days of rest, unless
 1366 overtime is worked on such days.

1367

1368 **EXEMPT employees** are not entitled to overtime pay under the Fair Labor Standards Act.

1369

1370 In addition to the above categories, each employee will belong to one other employment category:

- 1371 • **REGULAR FULL-TIME employees** are those who are regularly scheduled to work at least 40
 1372 hours per week. They receive all mandatory benefits and are generally eligible for all of PCM’S
 1373 discretionary benefits, subject to the terms, conditions and limitations of each benefit program,
 1374 as in effect from time to time.
 - 1375 ○ **PART-TIME employees** are those employees who are regularly scheduled to work less than
 1376 40 hours per week. They receive all legally mandated benefits but are not generally eligible
 1377 for PCM’S discretionary benefits.
- 1378 • **TEMPORARY employees** are those that are hired for short-term periods, usually no longer than
 1379 6 months. They will receive all legally mandated benefits but are not eligible for PCM’S
 1380 discretionary benefits.

1381

1382 All employees are paid on either 12 or 11-month schedule. A pay schedule will be available to
 1383 employees annually. This determination is made at the time of hire and is indicated in the employee’s
 1384 hire letter or employment contract, if applicable.

1385

1386 **Withholding Status**

1387 The completed W-4 form serves as a basis for employee withholding. If an employee needs to change
 1388 their withholding, the employee must file an amended W-4 form within 10 days of an event that
 1389 changes their withholding. An employee may amend their W-4 form to adjust their withholding at any
 1390 time. In addition, employees are required to notify the Financial Consultant of any change in name,
 1391 family status, address, telephone number, emergency contact or other information concerning
 1392 personnel data held or used by PCM within two (2) weeks of any change.

1393

1394 When W-4 forms are received, PCM will comply with the new withholding instructions by the next
 1395 payroll period. The withholding instructions will usually continue to apply unless and until the employee

1396 amends the W-4 form.
 1397
 1398 Although not obligated to evaluate an employee’s withholding, PCM has three duties relating to the
 1399 contents of the W-4 form:
 1400 1. Disregard invalid W-4 forms. A form is rendered invalid if the employee changes or adds
 1401 language to the form.
 1402 2. Report full exemptions. The organization is required to send the IRS all claims for full
 1403 exemptions from withholdings by employees with normal weekly wages of more than \$200.00.
 1404
 1405 Because of their importance to both the IRS and to employees, PCM retains signed originals of the W-4
 1406 forms (no copies) for four years after the annual employment tax returns are filed.
 1407
 1408 **Time Reporting Procedures**
 1409 Employees are instructed on the proper charging of time to assure the accuracy of recorded time to cost
 1410 objectives.
 1411
 1412 PCM will keep track of all sick days, personal days, vacation days, professional development days, holidays,
 1413 bereavement or any other days that exempt employees are not at work.
 1414
 1415 All non-exempt employees are responsible for recording the actual time they have worked. Federal and
 1416 state laws require PCM to keep an accurate record of time worked in order to calculate pay and benefits.
 1417 PCM complies with applicable federal, state, and local wage and hour laws. If an employee suspects that
 1418 an error in pay has been made, the employee must immediately bring the issue to their supervisor’s
 1419 attention for prompt investigation and any necessary correction will be made. PCM will not tolerate any
 1420 form of retaliation against an employee who reports a violation, files a complaint, or cooperates in an
 1421 investigation concerning payment of wages. Violators of this policy will be subject to disciplinary action,
 1422 up to and including termination of employment.
 1423
 1424 Time worked is solely the time actually spent on the job performing assigned duties and should not
 1425 include any time that is spent not working or any time off that is taken during the workday. Non-
 1426 exempt employees must accurately record the time they begin and end work, the time they begin and
 1427 end each meal period, and the beginning and ending time of any breaks exceeding 15 minutes. All
 1428 overtime work must be approved by the supervisor before it is performed. Violators of this policy will be
 1429 subject to disciplinary action, up to and including termination of employment.
 1430
 1431 PCM requires non-exempt employees to regularly complete accurate timesheets. These timesheets are due
 1432 at the end of every pay period and must be timely and accurately submitted. Failure to do so may result in
 1433 disciplinary action, up to and including termination of employment. Labor hours are accurately recorded
 1434 and any corrections to timekeeping records, including the appropriate authorizations and approvals, are
 1435 documented. Employees may submit their time through the payroll provider.
 1436
 1437 Hours are submitted through the payroll provider and reviewed prior to payroll processing by the Head of
 1438 School or Montessori Coach. Once approved, hours are saved in the payroll provider system and paid
 1439 accordingly in the upcoming payroll run.

1440 Altering, falsifying, or tampering with time records or recording time on another employee's time record
 1441 will result in disciplinary action, up to and including termination.

1442
 1443 Salaried, exempt employees are paid their entire salary for every day in which they perform any work.
 1444 Deductions from an exempt employee's pre-determined salary or charge against an exempt employee's
 1445 accrued leave may be taken under one of the following circumstances, unless otherwise prohibited by
 1446 law:

- 1447 1. the employee is absent from work for one or more full days for personal reasons (other than
 1448 sickness or disability);
- 1449 2. the employee is absent for one or more full days due to sickness or disability and has exhausted
 1450 their paid leave time under the sick leave policy;
- 1451 3. the deduction is made to offset any amounts received as payment for jury fees, witness fees, or
 1452 military pay;
- 1453 4. the employee is on an unpaid disciplinary suspension imposed in good faith for violating
 1454 published workplace conduct rules (e.g., rules against workplace harassment or safety rules of
 1455 major significance);
- 1456 5. it is the employee's first or last week of employment and they are paid a proportionate part of
 1457 their full salary.

1458
 1459 PCM makes a good faith effort to comply with this salary policy. If, however, an employee believes an
 1460 improper deduction has been taken from their salary, the employee should contact the Financial
 1461 Consultant. The Financial Consultant will investigate the deduction and provide the employee with their
 1462 findings. If the Financial Consultant determines that a deduction was improperly made, PCM will
 1463 reimburse the employee for that deduction.

1464
 1465 Overtime pay applies only to non-exempt employees. When operating requirements or other
 1466 organizational needs cannot be met during regular working hours, employees may be required to work
 1467 overtime. Whenever possible, employees will be given the opportunity to volunteer for overtime work
 1468 assignments, and every effort will be made to distribute overtime opportunities as equitably as possible
 1469 to all employees qualified to perform the required work. Overtime pay is provided to non-exempt
 1470 employees in accordance with federal and state wage and hour laws that generally require time-and-
 1471 one-half the employee's regular rate of pay for any hours worked beyond 40 hours in a workweek.
 1472 Overtime pay is based on actual hours worked.

1473
 1474 Time off for no-fault days, leaves of absence, and unpaid lunch hours will not be considered hours
 1475 worked for purposes of calculating overtime pay. All overtime work must have the supervisor's prior
 1476 authorization. Employees who work overtime without prior authorization will be subject to disciplinary
 1477 action, up to and including termination of employment.

1478
 1479 **Processing Payroll**

1480 The Financial Consultant enters payroll changes into the payroll provider as received from the Head of
 1481 School. Once all changes are made, the Financial Consultant downloads a pre-process payroll register
 1482 from the payroll provider. This register is reviewed by the Financial Consultant and provided to the
 1483 Head of School for final approval. Once approved by all relevant parties, payroll is run.

1484

1485 PCM uses an outside service to process its payroll. Please note, in processing payroll for any
 1486 independent contractor, a W-9 form must be filled out prior to issuance of the first payment for
 1487 services provided.

1488

1489 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

1490

*for independent contractors, LLPs and LLCs only

1491

1492 Pay periods are semi-monthly in length. Both salaried and hourly employees are paid on the same
 1493 schedule. Employees will be paid on the 10th and 25th of each month. In the event that the 10th or
 1494 25th of the month falls on the weekend, or a holiday, the pay date will be the next nearest business day.
 1495 In February, pay will be distributed on the 28th, or the next business day.

1496

1497 All employees are paid on a 12-month schedule, regardless of whether they are 12- month employees
 1498 or 11-month employees. A pay schedule will be circulated during staff pre-service for PCM year.

1499

1500 Once payroll documents are received from the payroll vendor (e.g., calculations, payrolls and payroll
 1501 summaries), they are compared with timesheets, pay rates, payroll deductions, compensated absences
 1502 etc. by the Financial Consultant. The Financial Consultant verifies gross pay and payroll deductions and
 1503 compares the total hours and number of employees with the totals in the Payroll Register. The Payroll
 1504 Register is reviewed and approved by the Financial Consultant, who then forwards the payroll checks
 1505 and the Payroll Register to the Head of School for approval. Once signed or approved by email, payroll
 1506 payments by check, direct deposit, or cash are distributed to employees by the Payroll Vendor, and the
 1507 Payroll Register is filed.

1508 Direct deposit is the preferred method of payment. For any checks that are cut, the payroll provider helps
 1509 monitor any uncashed payroll checks.

1510

1511 If an employee is given a paper paycheck and loses that check, they must submit a written request for a
 1512 new check to be issued to the Head of School. The request must indicate the date on the check, the pay
 1513 period it covered, and the amount. The employee must also certify that they believe the check to be
 1514 lost and that if the employee finds the check, they will return it to the Financial Consultant. A new
 1515 paycheck will be issued to the employee as soon as practicable after the request is submitted.

1516

1517 **Payroll Tax Compliance**

1518 The payroll vendor is responsible for the preparation of the periodic payroll tax filings. The Financial
 1519 Consultant is responsible for reviewing and approving all payroll tax documents and supporting

1520 schedules for accuracy and completeness.

1521

1522 PCM, with support from the Financial Consultant, maintains a schedule of required filing due dates for:

1523

a. IRS Form W-2 - Wage and Tax Statement.

1524

b. IRS Form W-3 - Transmittal of Income and Tax Statements.

1525

c. IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes.

1526

d. IRS Form 1099-NEC and 1099-MISC

1527

e. Quarterly and annual state(s) unemployment tax return(s).

1528

f. WA State and Office of Superintendent of Public Instruction forms as required.

1529

1530

1531

Periodic Payroll Reconciliations

1532

Reconciling Employee Payroll Deductions

1533

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

1534

1535

1536

Quarterly Reconciliation of Payroll to Accounting Records

1537

The Payroll Register, the Payroll Register Preview, time sheets for additional work by staff members and expense reimbursements (if any) are filed in electronic 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.

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1544

Annual Reconciliation of Payroll to Accounting Records

1545

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

1546

- Gross salaries per all Forms 941

1547

- Gross salaries per W-2 forms

1548

- Gross salaries per General Ledger

1549

- Variances are researched and cleared by January 31 of the following year

1550

1551

Protecting Payroll Information

1552

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.

1553

1554

1555

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1557

Changes to Payroll Information

1558

The payroll provider allows employees to change personal information (e.g. mailing address) directly.

1559

Such changes generate notices to the Financial Consultant and Head of School and are reviewed as part

1560

of monthly payroll processing. Any pay changes (e.g. pay rate, title, deductions, benefits) must be

1561

approved by the HOS and are then entered into the payroll provider by the Financial Consultant.

1562

1563 **Terminations and Resignations**

1564 The Financial Consultant ensures that any departing employee, whether terminated or resigned, is
 1565 removed from the payroll immediately after their last payment is made.

1566 Whether an employee has elected to resign or is being terminated, a Personnel Action form must be
 1567 completed. An exit interview is held between the departing employee, Head of School, and one witness,
 1568 usually a member of PCM leadership team. In the case of employee termination, a copy of the
 1569 termination letter is presented to the departing employee at the exit interview. In the case of a
 1570 resignation, this interview is used to document the departing employee’s reasons for resignation. This
 1571 information is critical when assessing staff turnover data.

1572
 1573 Upon termination or effective resignation date, all employee belongings are removed immediately, and
 1574 all employer belongings are returned immediately. The Personnel Action form is filed in the employee’s
 1575 personnel file.
 1576

1577 PCM will pay employees who give proper notice through their last day of employment, unless they are
 1578 on a leave of absence. Employees will not receive pay for any accrued but unused sick or personal leave
 1579 (see section below). Employees will receive their final pay according to the normal payroll processing
 1580 cycle, or in accordance with applicable wage laws.
 1581

1582 In the event that a key staff member in finance or operations is incapacitated or terminated, PCM will
 1583 hire a financial consultant to fill in until a permanent replacement is hired. When a replacement is
 1584 identified, the financial consultant will professionally train the new hire to ensure a sound transition. In
 1585 addition, PCM will continue to develop written desktop procedures for each of these key finance and
 1586 operations staff positions so that they are not completely reliant on outside consultants.
 1587
 1588

1589 **Sick Leave and Paid Time Off**

1590 **Salaried Employees**

1591 **Salaried Employees** - At the beginning of the year guides and administrative staff will be allotted the
 1592 following annual leave amounts. All of the following information is assumed per 1.0 FTE. Any employee
 1593 working less than full-time will receive a prorated amount per their contract.

- 1594 • **Paid Time Off (PTO)** -
 - 1595 1. 40 hours (5 days) to be used at the employee’s discretion. This bank of time may be
 1596 used for any purpose, but needs to be pre-approved by the Head of School or
 1597 Montessori Coach prior to accessing these days.
 - 1598 2. No PTO will be allowed to be rolled over to the following school year, nor will they be
 1599 cashed out.
 - 1600 3. Unused PTO days will not be paid to employees upon termination of employment.
- 1601 • **Sick Leave (Illness, Injury, or Emergency)** –
 1602 Employees will accumulate the greater of:
 - 1603 1. 48 hours (6 days) to be used when the employee is unable to perform their duties
 1604 because of personal illness, injury, or disability.
 - 1605 2. 40 hours (5 days) may be rolled over into the following school years for a total of 88
 1606 hours (11 days) to be banked at any one time.

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Hourly Employees

Hourly Employees - At the beginning of the year hourly staff will be allotted the following annual leave amounts. All information following is assumed per 1.0 FTE. Any employee working less than full-time will receive a prorated amount per their contract.

- Paid Time Off (PTO) -
 1. 16 hours (2 days) to be used at the employee’s discretion. This bank of time may be used for any purpose, but needs to be pre-approved by the Head of School prior to accessing these days.
 2. No PTO will be allowed to be rolled over to the following school year, nor will they be cashed out.
 3. Unused PTO days will not be paid to employees upon termination of employment.

- Sick Leave (Illness, Injury or Emergency)
 1. 43.2 hours (5.4 days) to be used when the employee is unable to perform their duties because of personal illness, injury, or disability.
 - a. This amount corresponds with WA states requirement for hourly employees that requires a rate of 1 hour of sick leave accrued per 40 hours worked. The sick leave total will be reconciled quarterly to align with hours worked using the 1 per 40 ration compared against hours actually worked and the total sick time granted at the beginning of the year (currently set at 5.4 hours for full-time hourly employees).
 2. 40 hours (5 days) may be rolled over into the following school years for a total of 83.2 hours (10.4 days) to be banked at any one time.

All Employees

All employees - Other leave: All eligible employees are entitled to the following PCM, Federal, and Washington State leave, details are provided below (pages 37-40):

- **Federal Family and Medical Leave (FMLA):** Federally protected unpaid leave for eligible employees.
- **Federal Military Caregiver Leave:** Federally protected unpaid leave for eligible employees.
- **Washington Family Leave Act (FLA):** State protected unpaid leave for eligible employees.
- **Washington Family Care Act:** State protections to uses of PTO for caring for family members.
- **Washington Pregnancy Disability Act:** State protection for using leave for pregnancy and childbirth.
- **Washington Paid Family and Medical Leave:** State provided leave for eligible employees related to medical leave.
- **Domestic Violence Leave:** State protection for using leave for reasons related to domestic violence, sexual assault, or stalking.
- **Bereavement:** 3 paid days provided for immediate family member death
- **Jury Duty:** 10 paid days provided for jury duty

1651 Recording Absences

1652 It is the responsibility of the employee to record their absence in Gusto on the day that it is taken. PCM
1653 staff will monitor and reconcile absences for payroll and accounting purposes.

1654
1655 Further Details: Sick Leave

1656 Unless otherwise provided for or as approved by the Head of School, sick leave is to be used by regular
1657 full-time employees in accordance with the following provisions:

- 1658** • Sick leave is to be used only in the event of illness of the employee, the employee's immediate
1659 family, or someone dependent on them for care, and for no other purpose.
- 1660** • Misuse of sick leave is cause for termination of employment.
- 1661** • For the purposes of this section, "immediate family" is defined as a spouse, partner, parent,
1662 child, sibling, grandparent, any other relative permanently residing with the employee, or any
1663 other person as defined by the Head of School or the Board of Trustees.

1664
1665 Notice of absence from work due to illness should be provided to the Montessori Coach and the Head
1666 of School with as much advance notice as possible, and by 6:00 a.m. on the day of the absence,
1667 allowing reasonably enough time for the Montessori Coach to find a substitute teacher, in the instance
1668 of instructional employees, or temporary help, in the instance of administrative staff.

1669 Employees must provide notice of absence from work due to illness each day of their absence. If an
1670 employee is absent for three (3) or more consecutive days due to illness or injury, a physician's
1671 statement must be provided verifying the illness and its beginning and end dates.

1672
1673 When possible, such as in the event of foreseeable extended illnesses and planned medical procedures,
1674 advance notice of the use of sick leave should be given to the employee's supervisor at least five (5)
1675 days in advance.

1676
1677 Excessive tardiness, absenteeism, or an unauthorized absence may result in disciplinary action, up to
1678 and including termination of employment.

1679
1680 Notice of total sick leave used should be provided to the Montessori Coach upon an employee's return
1681 to work. Sick leave shall be used in increments of one-half workday.

1682
1683 Unused sick leave benefits of 40 hours or less must carry over to the next year. Unused sick leave days
1684 will not be paid to employees upon termination of employment.

1685
1686 Shared Sick Leave

1687 The shared paid sick leave program provides employees the opportunity to receive and use donated
1688 paid sick leave, and to donate their paid sick leave to other employees.

1689
1690 To Apply

1691 Employees must apply to receive/donate shared paid sick leave through the Head of School or their
1692 designated representative. An employee is eligible to apply for and use shared paid sick leave 90
1693 calendar days after the start of employment.

1694

1695 If an employee wishes to participate in the shared paid sick leave program, the employee must
1696 complete the Employee Request to Receive Shared Paid Sick Leave form or complete the Employee
1697 Request to Donate Paid Sick Leave form and provide the form to the Head of School or their
1698 designated representative.

1699
1700
1701 Head of School or their designated representative is responsible for:

- 1702 ○ Ensuring employees meet the eligibility criteria for receiving and donating shared paid sick
1703 leave;
- 1704 ○ Approving requests to receive/donate shared paid sick leave; and
1705 Monitoring the use of shared paid sick leave.

1706
1707 Donated Paid Sick Leave

1708 Donated paid sick leave will be recorded as if the donating employee had used the time and will reduce
1709 the donating employee's available balance of paid sick leave.

1710
1711 **Key Guidelines to Using Paid Time Off (PTO):**

- 1712 1. You must receive approval from the PCM Administrative Team prior to taking Paid Time Off.
- 1713 2. You may not schedule your last paid workday as a vacation day. Unused leave will not be paid
1714 out should you end employment with PCM.

1715
1716 When possible, a minimum of one week's notice should be given to your supervisor, in order to
1717 schedule and accommodate substitutions. When advanced notice is not possible, as in the case of
1718 emergency or illness, **email BOTH the office AND Montessori Coach AS SOON AS POSSIBLE** with
1719 notification of your absence and day's plans for a substitute. Should a substitute be required, time
1720 must be taken in 4-hour increments

8

PROPERTY AND EQUIPMENT

1721

1722

1723

1724

Background

1725

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

1726

1727

1728

PCM's Head of School is responsible for maintaining the equipment and all necessary asset inventories.

1729

1730

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.

1731

1732

1733

1734

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.

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- 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

1751

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

1752

1753

1754

1755

- Asset name
- Current value

1756

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

1757

1758

1759

1760

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

1761 item is tracked and physically tagged as property of DYCD. Because DYCD owns the item, it is
 1762 recognized as an expense (not an asset) on the Statement of Financial Position. In the event of charter
 1763 revocation, the item is returned as property of DYCD.

1764
 1765 No employee may use any of PCM property, equipment, material or supplies for personal use without the
 1766 prior approval of the Head of School.

1767
 1768 No item of property or equipment shall be removed from the premises without prior approval Head of
 1769 School.

1770
 1771 All lease agreements on real property will be evidenced by a lease or sublease signed by the Head of
 1772 School. The agreement will identify all the terms and conditions of the lease. Any real estate agreement
 1773 to rent or sell will require a beneficial interest disclosure.

1774
 1775 **Capitalization Policy**

1776 The cost threshold for items purchased by PCM to capitalize is \$5,000.00 per item. This allows items to
 1777 carry value over time, and not simply be expensed in Year 1. Items with an acquisition cost of less than
 1778 \$5,000.00 or a useful life of less than one year can be expensed in the year purchased. Items with an
 1779 acquisition cost of more than \$5,000.00 are subject to PCM's depreciation policy, outlined below.

1780
 1781 In instances where a large quantity of one single item is purchased, if the total value exceeds the
 1782 \$5,000.00 threshold, the items may be capitalized. For example, if a school buys 100 desks at \$250.00
 1783 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a
 1784 combined value of \$25,000.00, which should be capitalized over a 7-year period, as outlined in the
 1785 Depreciation Policy table below.

1786
 1787 The Head of School performs annual inventory audits, verifying and updating the data contained in the
 1788 Excel fixed asset inventory spreadsheet. Once complete, this inventory is compared to the fixed assets
 1789 listed in the general ledger to ensure the value of the assets per the accounting system matches the
 1790 value of the assets per the spreadsheet. Differences are investigated and reconciled by the Head of
 1791 School.

1792
 1793 **Depreciation Policy**

1794 Any items subject to the Capitalization Policy described above are subject to depreciation. The Head of
 1795 School and Financial Consultant will account for depreciation based on PCM's inventories. Depreciation
 1796 associated with the fixed assets will be calculated based on its useful life and straight-line depreciation
 1797 method. Depreciation is based on the month the item was actually purchased. For instance, if PCM
 1798 purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12) and
 1799 recorded as such. But if PCM purchased the computer in April, then it would be depreciated for just one-
 1800 fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June.

1801
 1802 Any item that is damaged beyond use will be taken out of service and fully depreciated off the
 1803 accounting records.

1804

1805 Estimating Useful Life

1806 The following guidelines from the Washington Office of Financial Management are used in setting
1807 estimated useful lives for asset reporting:

1808
1809 “Agencies are required to use the useful life shown in Schedule A, Capital Asset Class Codes and Useful
1810 Life Schedule (Subsection 30.50.10.a) for capital assets acquired in new condition. For energy efficiency
1811 equipment and products, refer to the Addendum to Schedule A (Subsection 30.50.10.b). However, a
1812 shorter or longer estimated life may be used depending on factual circumstances, replacement policies,
1813 or industry practices. Proposed deviation in useful life from Schedule A requires prior written approval
1814 from the OFM Accounting Division.”

1815
1816 The OFM Capital Asset Useful Life Schedule can be found online.
1817

1818 Disposal of Property and Equipment Policy

1819 PCM has adopted standard disposition procedures for staff to follow whenever an asset with an original
1820 cost of over \$1,000 is disposed of:

1821 The requester fills out and signs the Asset Disposal Form, which identifies the asset and the reason for
1822 disposition. This form is submitted to the Head of School, who takes photos of the asset, determines the
1823 asset’s book value and documents the condition of the asset. Disposal of any asset requires the approval
1824 of both the Head of School and Montessori Coach.

1825
1826 Once approved for disposal, the dollar value of the disposed asset is recorded as a reduction in the
1827 general ledger. The disposed asset is also removed from the Excel fixed asset inventory spreadsheet. The
1828 treatment of any proceeds from the disposition, and the recognition of any gain or loss on sale of the
1829 disposed asset, is also recorded in the general ledger by the Head of School.

1830
1831 Small and Attractive Assets:

1832 Are defined as assets that are (1) usable outside of the school, (2) cost at least \$300, and (3) would have
1833 value if taken from the school. Every effort will be made to safeguard these assets from being stolen,
1834 including safe storage, and reviewing inventory levels at least annually.

9

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
Employee Personnel Records (After Termination)	7 Years after term
Employee Personnel Records (Current)	7 Years after term

Item	Retention Period
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

1853

1854 Originals of the following corporate documents are maintained either electronically or in paper form,
 1855 depending on the original document:

- 1856 a. Charter and all related amendments
- 1857 b. Minutes of the Board of Trustees and subcommittees
- 1858 c. Banking agreements
- 1859 d. Leases
- 1860 e. Insurance policies

- 1861 f. Vendor invoices or contracts
- 1862 g. Grant and contract agreements
- 1863 h. Fixed asset inventory list

1864

1865 Records Access Policy

1866 The Financial Consultant will provide access to the organization's records and provide supporting records,
1867 as requested by government auditors to facilitate the completion of such audits or reviews, in a timely
1868 manner.

1869

1870 Records Destruction Policy

1871 The destruction of confidential school records will be authorized by the Head of School. Should the
1872 Head of School be unable to provide authorization, destruction will be stayed pending review and final
1873 determination.

1874

1875 If any litigation, claim, or audit is started before the expiration of the designated retention period, the records
1876 shall be retained until all litigation, claims, or audit findings involving the records have been resolved and
1877 final action taken.

1878

1879 Once school records have reached the conclusion of their retention period according to the Records
1880 Retention Policy, the office of origin will request authorization from the Head of School for their
1881 destruction.

1882

1883 PCM will arrange for the safe and secure destruction of confidential records. Destruction methods will not
1884 permit recovery, reconstruction and/or future use of confidential information. An overview of these
1885 methods follows.

1886

1887 Paper records containing confidential information should be shredded and/or pulped, not simply
1888 thrown out with other classes of records or with miscellaneous trash.

1889

1890 Electronic or machine-readable records containing confidential information require a two-step process
1891 for assured, confidential destruction. Deletion of the contents of digital files and emptying of the
1892 desktop "trash" or "waste basket" is the first step. It must be kept in mind, however, that reconstruction
1893 and restoration of "deleted" files are quite possible in the hands of computer specialists. With regard to
1894 records stored on a "hard drive," it is recommended that commercially available software applications be
1895 utilized to remove all data from the storage device. When properly applied, these tools prevent the
1896 reconstruction of any data formerly stored on the hard drive. With regard to floppy disks and back-up
1897 tapes, it is recommended that these storage devices be physically destroyed.

1898

1899 A destruction record exists to track the destruction of any and all documents. This inventory describes
1900 and documents those records, in all formats, authorized for destruction, as well as the date, agent, and
1901 method of destruction. The destruction record itself shall not contain confidential information. The
1902 destruction record may be retained in paper, electronic, or other format.

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FRAUD AND MISAPPROPRIATION

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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

1943 personnel.

1944

1945 Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or
1946 regulatory agencies for independent investigation will be made in conjunction with legal counsel and
1947 senior management, as will final dispositions of the case.

1948

1949 ***Confidentiality***

1950 The Board of Trustees will treat all information received confidentially. Any employee who suspects
1951 dishonest or fraudulent activity will notify the Board Chair immediately and should not attempt to
1952 personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

1953

1954 Investigation results will not be disclosed or discussed with anyone other than those who have a
1955 legitimate need to know. This is important in order to avoid damaging the reputations of persons
1956 suspected but subsequently found innocent of wrongful conduct and to protect PCM from potential
1957 civil liability.

1958

1959 ***Authority for Investigation of Suspected Fraud***

1960 Members of the Board of Trustees will have:

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- 1961 1. Free and unrestricted access to all PCM's records and premises; and
- 1962 2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks,
1963 cabinets, and other storage facilities on the premises without prior knowledge or consent of any
1964 individual who may use or have custody of any such items or facilities when it is within the scope
1965 of their investigations.

1966

1967 ***Reporting Procedures***

1968 An employee who discovers or suspects fraudulent activity will contact the Chairperson of the Board of
1969 Trustees immediately. The employee or other complainant may remain anonymous. All inquiries
1970 concerning the activity under investigation from the suspected individual(s), their attorney or
1971 representative(s), or any other inquirer should be directed to the Finance Committee or legal counsel.

1972 No information concerning the status of an investigation will be given out. The proper response to any
1973 inquiry is, "I am not a liberty to discuss this matter." Under no circumstances should any reference be
1974 made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other
1975 specific reference.

1976

1977 The reporting individual should be informed of the following:

- 1978 1. Do not contact the suspected individual in an effort to determine facts or demand restitution.
- 1979 2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to
1980 do so by the appointed legal counsel or the Board of Trust.

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GENERAL FUNDRAISING

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1989 It is the policy of the Pinnacles Prep Charter School Board to authorize fundraising activities where such
1990 activities:

1991 1. Further promote education and provide educational experiences for students;

1992 2. Provide educational experiences for students

1993 3. Address local funding needs or obligations to support the educational mission of the district,
1994 extracurricular programs and activities; and/or

1995 4. Promote the effective, efficient, or safe management and operation of the District.

1996

1997 Fundraising activities shall comply with cash handling, procurement, fixed assets, and gifts and
1998 donations policies. Fundraising activities shall not interfere with the operation of school programs and
1999 functions. Fundraising activities shall not conflict with any applicable law, state or federal constitutional
2000 provisions including the separation of church and state, or violate School policies and procedures

2001

2002 This policy governs the establishment and administration of fundraising for the general fund and for
2003 particular programs in the district. It does not address fundraising programs conducted by the Parent
2004 Teacher Student Association, the Associated Student Body, or other non-profit or citizens organizations.

2005

2006 Legal References:

2007 RCW 28A.320.015 School boards of directors – Powers – Notice of adoption of policy.

2008 RCW 28A.320.030 Gifts, conveyances, etc., for scholarship and student aid purposes,
2009 receipt and administration

2010 RCW 28A.320.035 Contracting out – Board’s powers and duties – Goods and services.

2011 RCW 28A.335.060 Surplus school property, rental, lease or use of – disposition of moneys
2012 received from

2013 RCW 28A.335.090 Conveyance and acquisition of property – management.

2014 RCW 28A.335.180 Surplus texts and other educational aids, notice of availability – Student
2015 priority as to texts.

2016 RCW 39.33.070 School districts and libraries – Disposal of obsolete or surplus reading
2017 materials – Procedures.

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STUDENT FUNDRAISING

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2021 Student groups may conduct fundraising activities, including but not limited to soliciting donations, in
2022 their private capacities for the purpose of generating nonassociated student body funds. If these funds
2023 are generated and received by students to use for scholarship, student exchange, and/or charitable
2024 purposes, they will not be considered public money and will be held by the school and tracked as

2025 belonging to the school's nonassociated student body fund fund and disbursed for such purposes as
2026 the student group conducting the fundraising activity determines, provided that the school district will
2027 either withhold an amount from the funds as will pay the district for its direct costs in providing the
2028 service or otherwise be compensated for its cost for such service. "Charitable purpose" under this
2029 section does not include any activity related to assisting a campaign for election of a person to an
2030 office or for the promotion or opposition to a ballot proposition.

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TIME AND EFFORT POLICY

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2069 All employees charged to federal grants must document the time they spend working on the grant's
 2070 objectives to demonstrate that the amounts charged to federal programs are true and accurate
 2071 pursuant to Office of Management and Budget's (OMB) Uniform Grant Guidance (UGG), 2CFR Part 200,
 2072 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards".

2073 Time and effort reports will be prepared for all certificated and classified staff with salary and benefits
 2074 that are charged:

- 2075 • Directly to a federal award.
- 2076 • Directly to multiple federal awards.
- 2077 • Directly to any combination of a federal award and other federal, state or local fund sources.

2078 At the beginning of the school year, administration will determine the budgeted allocation of employee
 2079 time to restricted funding sources and record these in the school's restricted fund matrix. The method
 2080 used to establish the estimates should produce reasonable approximations of the actual employee time
 2081 distributions.

2082 Semi-annual certifications will be used for employees working on a "single cost objective." Monthly
 2083 PARs will be used for employees working on "multiple cost objectives," unless the school obtains
 2084 permission for a substitute system from OSPI.

2085 A "cost objective" is a function, organizational subdivision, contract, grant, or other activity for which
 2086 cost data are needed and for which costs are incurred.

2087 A "single cost objective" occurs based on either of the following determinations:

- 2088 • Fiscal: If the employee's salary and wages can be supported in full from each of the federal
 2089 awards on which the employee is working, or from the federal award alone if the employee's
 2090 salary is also paid with non-federal funds.
- 2091 • Program intent: If the employee is working on a combination of cost objectives that have the
 2092 same intent and purpose. The specific allowable combinations are: Title I & Learning Assistance
 2093 Program (LAP), State Special Education (State SPED) & Federal Special Education (Federal SPED),
 2094 and Title III & Transitional Bilingual Instruction Program (TBIP).

2095 A "multiple cost objective" occurs when an employee works on more than one function, grant or
 2096 activity. With the exception of the combinations identified above, in general, an employee is considered
 2097 to work on multiple cost objectives if the employee works on:

- 2098** • More than one federal award
- 2099** • A federal award and a non-federal award
- 2100** • A federal award with specific earmarking or matching requirements; or
- 2101** • An unallowable activity and an allowable activity

- 2102** Semi-annual certifications and PARs will meet the following standards.

- 2103** Semi-annual certifications (single cost objective or activity) will:
 - 2104** • Certify the employee worked solely on activities related to a particular cost objective for a specified period of time, identify the cost objective, and specify the reporting period covered.
 - 2105** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2106** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2107** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2108** • Be completed timely and at least semi-annually, after the work has been completed.

- 2109** PARs (multiple cost objectives or activities) will:
 - 2110** • Certify the employee worked on multiple activities related to more than one cost objective for a specified period of time, identify the cost objectives, and specify the reporting period covered (generally from beginning to end of month).
 - 2111** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2112** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2113** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2114** • Be signed and dated by the employee or a supervisor with first-hand knowledge of the work performed.
 - 2115** • Be completed timely and at least monthly, after the work has been completed.
 - 2116** • Reflect the actual work done by the employee with all cost objectives clearly identified.
 - 2117** • Account for the total activity for which the employee is compensated, including both federal and nonfederal activities.
 - 2118** • Account for the total activity for which the employee is compensated, including both federal and nonfederal activities.

- 2119** Paid time off (PTO) will be charged to federal awards in the same proportion as the actual hours worked during the month in which the PTO occurred.
- 2120** Paid time off (PTO) will be charged to federal awards in the same proportion as the actual hours worked during the month in which the PTO occurred.

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Extracurricular & Core Program Policy

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2139 The Board recognizes the many benefits students receive from participating in certain extracurricular
2140 activities. Skills developed during participation in extracurricular activities can include but are not
2141 limited to: problem solving, teamwork, determination, and personal responsibility, all of which are
2142 considered critical components of the basic education offered by our school.

2143

2144 As such, the Board adds the following extracurricular activities to the school's educational program to
2145 help foster participation in said activities:

- 2146 • Outdoor Science School
- 2147 • Enrichment Half-Days (Wednesday YMCA Programming)

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2149 With the adoption of this policy, the school can spend general operating funds on these activities,
2150 including supplies, equipment, rentals, contractors, meals and lodging, etc. Any funds raised on behalf
2151 of such organizations must be deposited into the general fund.

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2153 This policy only applies to the activities listed above; any optional, extracurricular, non-educational
2154 activities not listed above may not be paid for with general funds and are not part of the school's
2155 educational program.

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2168 Legal Reference:
2169 AGO 1974 No. 21 - Oct 23 1974: [www.atg.wa.gov/ago-opinions/districts-schools-funds-participation-](http://www.atg.wa.gov/ago-opinions/districts-schools-funds-participation-interscholastic-athletic-events)
2170 [interscholastic-athletic-events](http://www.atg.wa.gov/ago-opinions/districts-schools-funds-participation-interscholastic-athletic-events)