



Financial Policies

September 12, 2024

Finance Committee Recommended: September 12, 2024

Board Approved:

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OVERVIEW

The purpose of these Financial Policies and Procedures is to uphold the letter and spirit of all applicable State and Federal regulations concerning the expenditure and accounting of public funds. As Navigator Schools (“Navigator”) evolves and regulations change, these Policies and Procedures may require modifications. The Board of Directors (“Board”) has approved these financial policies and reviews them regularly to ensure the optimal use of Navigator Schools' funds in support of our mission while also ensuring that funds are budgeted, accounted for, expended, and maintained appropriately.

Policy Guidelines

- The Board delegates the creation, administration, and necessary ongoing revisions of financial policies and procedures to the CEO & Superintendent (“CEO”) or their designee. The Board is responsible for reviewing and approving these policies.
- The CEO or their designee is accountable for all operations and activities related to Navigator Schools' financial management.
- Financial duties and responsibilities must be separated to ensure that no single employee has sole control over cash receipts, disbursements, payroll, and bank account reconciliations.
- Regarding the following procedures, if the organization does not have a Chief Financial and Operating Officer (“CFOO”), these responsibilities may be managed on a contractual basis or by a designee of the CEO in accordance with the outlined procedures.
- Any Board member with a financial interest in a matter presented to the Board must fully disclose that interest before the Board discusses the issue and must recuse themselves from both the discussion and voting on the matter. The Board will develop a separate, more comprehensive policy addressing conflicts of interest, hiring of relatives, and compliance with Government Code 1090 and the Fair Political Practices Act to the extent it applies to the organization.

I. ACCOUNTING STANDARDS

i. Basis of Accounting

The accounting procedures used by Navigator Schools shall conform to Generally Accepted Accounting Principles (GAAP) to ensure the accuracy of information and compliance with external standards.

The fiscal year is July 1-June 30.

ii. Audit and Tax Compliance

Audit Objectives

In compliance with California Education Code 47605(b)(5)(I), the Board of Directors will arrange for an independent financial audit to be performed following the close of the fiscal year. The audit shall include, but not be limited to, (1) an audit of the accuracy of each School's financial statements, (2) an audit of each School's attendance accounting and revenue claims practices, (3) an audit of each School's internal controls practices for the purpose of determining financial statement accuracy, and (4) other programmatic compliance as outlined within the California K-12 Audit Guide.

Audit Requirements

Audits must be conducted in accordance with generally accepted auditing standards in the United States of America. If Navigator Schools expends over \$750,000 from federal sources, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars.

Audit Committee

The Audit Committee will oversee the audit process each year. In close concert with Navigator's Finance and Accounting department, these activities may include soliciting audit firm proposals, participating in planning with the selected audit firm, addressing questions during interim or fieldwork, and responding to findings or concerns raised by the audit firm.

Audit Firm Selection

The Audit Committee will solicit proposals from approved firms, as found here: <http://cpads.sco.ca.gov/CPAList.aspx>. Following proposal solicitation and evaluation, the audit committee will recommend a firm and engagement length based on several factors, including experience with charter school finance, auditing experience, and cost. The auditor will not have a direct financial stake in matters audited.

Each year, no later than April 1st, each School will notify its authorizer and the appropriate county office of education of the selected firm to perform the independent financial audit following the close of the fiscal year.

Audit Procedures - Internal Control

Navigator Schools will develop and implement controls necessary to gather and prepare information for all jurisdictional and financial reporting requirements. The CEO, CFOO, and the Board Audit Committee will be knowledgeable about the audit guide "Standards and Procedures for Audits of California K-12 Local Educational Agencies".

Audit Review and Submission

Following the conclusion of audit fieldwork and the preparation of the final audit report, the Audit Committee will review and respond to any findings or concerns flagged within the audit report. The audit firm will conduct a final meeting with appropriate school staff, the Audit Committee, and/or other board members as necessary.

A completed audit report will be provided to the Board Audit Committee by December 8. The Board of Directors will then review the completed audit report, including any audit committee responses, and will approve the submission of the audit report to the required parties.

The selected audit firm will be responsible for transmitting the final audit report and accompanying schedules by December 15th to all required parties by law, including but not limited to the California Department of Education, the State Controller, and each School's authorizer.

Form 990 Federal Tax Return

The selected audit firm will prepare the Form 990 tax return and send a copy to the staff members responsible for the audit. Navigator staff will review and send a copy to the Board of Directors for its review and approval before filing. Once approved by the Board, Navigator Schools will notify the audit firm, which will prepare the final return for filing.

iii. Bank Reconciliations

Bank reconciliations will be prepared by the 20th of the month by assigned staff who do not have the ability to approve expenses or disburse funds from the account. The CFOO or designee will approve the reports. All reports will be filed according to recordkeeping guidelines.

iv. Monthly Close

The Finance and Accounting Supervisor monitors and updates the monthly closing procedures schedule, ensuring that all monthly transactions are accurately recorded. The month-end closing process will be completed by the 20th of the month.

v. Bank Checks

- The Board will approve, in advance, the list of authorized signers on the school bank accounts.
- The Board will authorize the opening and closing of all bank accounts.
- The business office will be responsible for all blank checks and keep them locked and secure.
- Under no circumstances will any individual sign a blank check.

vi. Returned Checks

A returned check processing fee will be charged for checks returned as insufficient funds (NSF).

If a second NSF check is received from any individual, the individual will lose check-writing privileges in addition to the processing fee. Payment of the NSF check must be made by money order, certified check, or cash.

If unsuccessful in collecting funds owed, the school may initiate appropriate collection and/or legal action at the advice of the General Counsel and the discretion of the CFOO, CEO, or Board of Directors.

vii. Stale Checks

Checks are considered stale if they have not been cashed within 180 days (6 months) from the date of issuance. The month-end closing procedures, Bank Reconciliation, include reviewing outstanding checks approaching their stale date, which are flagged for follow-up. Finance staff will attempt to contact the payee to void and reissue the payment.

viii. Financial Reporting

The Finance Team prepares financial reports to monitor Navigator Schools' financial health, performance against budget, and adherence to fiscal policies. The CFOO and CEO will review financial statements and performance against budget reports monthly, and the Board of Directors will review them quarterly.

The Finance Team will submit a monthly revenue and expense summary to the CEO, including a review of the restricted accounts and any line items that are substantially over budget (greater than 10% of the approved budget and over \$10,000).

The financial team will prepare an updated budget forecast quarterly, highlighting any variances from the approved budget.

The Finance Team will prepare the first and second interim reports and provide them to the CEO, Finance Committee, and Board of Directors for approval before submitting them to the authorizing entities. The First Interim is due to the authorizing entity by December 15, the Second Interim is due by March 15, and the Unaudited Actuals are due by September 15.

Navigator Schools will hold regular finance committee meetings to review budget revisions and financials

The finance team will also provide the CEO, Board Finance Committee, and Board of Directors with additional financial reports as needed.

ix. Year-End Closing Procedures

To complete the year-end close of the financial books, the Finance team will ensure all transactions are properly recorded, reconciled, and reported no later than 45 days after the fiscal year-end. The preclosing process shall begin 30 days before the year-end and be completed on or before August 15th.

Procedures:

1. Pre-Closing Preparations (30 days before year-end)
 - a. Review outstanding purchase orders and encumbrances
2. Notify all departments of cut-off dates for invoices and reimbursement requests
3. Prepare a schedule of closing tasks and assign responsibilities
4. Review and update the chart of accounts if necessary
5. Revenue and Receivables
 - a. Ensure all revenues are recorded and reconciled with grant expenditures
 - b. Record any accrued revenue
 - c. Review accounts receivable and write off any uncollectible accounts (with appropriate approval)
 - d. Reconcile all revenue accounts with supporting documentation
6. Expenses and Payables
 - a. Record all outstanding invoices for goods and services received
 - b. Accrue for any expenses incurred but not yet invoiced
 - c. Review and reconcile all prepaid expenses
 - d. Ensure all employee reimbursements are processed
 - e. Reconcile accounts payable subsidiary ledger to the general ledger
7. Payroll
 - a. Ensure all payroll periods falling within the fiscal year are recorded
 - b. Accrue for any partial pay periods crossing fiscal years
 - c. Reconcile all payroll tax accounts and payments
 - d. Review and adjust accrued vacation and sick leave balances
8. Fixed Assets
 - a. Update the fixed asset schedule with all additions and disposals
 - b. Calculate and record depreciation for the year
 - c. Conduct a physical inventory of fixed assets
 - d. Reconcile the fixed asset subsidiary ledger to the general ledger
9. Investments and Debt
 - a. Record all investment income and adjust to a fair market value
 - b. Ensure all debt payments are recorded and reconcile loan balances

- c. Record accrued interest on outstanding debt
10. Fund Accounting
- a. Ensure all inter-company transactions are balanced and properly recorded
 - b. Review and adjust fund balances as necessary
 - c. Ensure restricted funds are properly classified and recorded
11. Reconciliations
- a. Perform final bank reconciliations for all accounts
 - b. Reconcile all balance sheet accounts to supporting documentation
 - c. Review and reconcile all revenue and expense accounts
12. Financial Statements and Reporting
- a. Generate preliminary financial statements and review them for accuracy
 - b. Prepare any required supplementary schedules
 - c. Calculate and record any necessary year-end adjusting entries
 - d. Generate final financial statements
 - e. Prepare management discussion and analysis
13. Audit Preparation
- a. Compile all necessary documents for the annual audit
 - b. Prepare audit schedules as required by external auditors
 - c. Document any significant accounting policies or changes in policies
14. Compliance and Regulatory Reporting
- a. Ensure all regulatory reports are filed (e.g. Form 990)
 - b. Review compliance with debt covenants and grant requirements
 - c. Prepare and submit required reports to the charter authorizers and state education department
15. System Close and New Year Setup
- a. Once all entries are made and reconciled, close the fiscal year in the accounting system, Sage Intacct.
 - b. Set up the new fiscal year, including rolling forward balances and setting up new budgets
16. Review and Approval
- a. CFOO to review all closing entries and final financial statements
 - b. Present financial statements to the Board of Directors for approval
 - c. Document any post-closing adjustments required after the Board review

II. INTERNAL CONTROLS

x. Conflict of Interest

No employee will make any purchase or incur any obligations for or on behalf of the Charter School from any private business, contractor, or vendor in which or with which the employee has a direct or indirect financial or ownership interest.

Purchases or contracted services from any private business or venture in which any employee of this School has a direct or indirect financial or ownership interest will be made on a competitive bid basis strictly in accordance with the following procedures:

- The interested employee, the business, the contractor, or the vendor will fully disclose, in writing, the employee's exact relationship to the business, the contractor, or the vendor.
- The affected business, the contractor, or the vendor may submit a bid in compliance with the specifications outlined by the school.
- The interested employee will not be involved in any part of the bidding process, including but not limited to preparing specifications, advertising, analyzing, or accepting bids; and
- This policy will apply to any organization, fund, agency, or other activity maintained or operated by the school.

No employee will solicit gifts, gratuities, favors, prizes, awards, merchandise, or commissions as a result of ordering any items or as a result of placing any purchase order with a business, contractor, or vendor on behalf of the Charter School nor accept anything of monetary value from a business, contractor, or vendor except for unsolicited gifts of \$50 or less in value.

Violations

Any Charter School officer, employee, or agent who violates this policy may be subject to disciplinary action, including but not limited to a fine, suspension, or termination. Violations of law shall be referred to the local, State, or federal authority having proper jurisdiction.

Additionally, Navigator Schools has implemented a Conflict of Interest Code to protect its interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director of the Corporation. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

xi. Lines of Authority – new future policy

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xii. Segregation of Duties – new future policy

Intentionally blank

xiii. Gift Acceptance

The purpose of the Gift Acceptance Policy is to delineate policies and guidelines governing the acceptance of gifts by Navigator Schools employees and to provide guidance to prospective donors when making gifts to the organization.

Navigator Schools solicits and accepts gifts that are consistent with its mission and support its core programs and special projects. Donations and other forms of support will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, although Navigator Schools will not engage in any of the following gift-receiving practices:

- Accepting gifts that violate federal or municipal laws.
- Accepting gifts that would result in Navigator Schools losing its status as an IRC§501(c)(3) not-for-profit organization.
- Accepting gifts that require Navigator Schools to provide special consideration or treatment to any client, donor, entity, etc.
- Accepting gifts that require Navigator Schools to deviate from its normal hiring, promotion, or contracting procedures.
- Accepting personal gifts in any cash amount, including gift certificates, coupons, entertainment tickets, or the like.
- Accepting gifts from organizations whose core activities may directly conflict with the mission of Navigator Schools, or which may limit our ability to provide our services.

xiv. Record Retention

Financial records, such as transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary fiscal documentation, will be retained for a minimum of seven (7) years. At the discretion of the Board of Directors or CEO, certain documentation may be maintained for a longer period of time.

Financial records will be shredded at the end of their retention period.

Appropriate backup copies, including financial and attendance accounting data, will be regularly prepared.

Public Records Requests: All documents formally shared through a public records request will be held in perpetuity at the Navigator's Support Office, 650 San Benito St, Suite 230, Hollister, CA 95023.

Below is a list of records that require retention and the applicable period for which the information will be retained.

Corporate Records

| | |
|--|-----------|
| Article of Incorporation to apply for corporate status | Permanent |
| IRS Form 1023 (in the USA) to file for tax-exempt and/or charitable status: | Permanent |
| By-Laws | Permanent |
| State Application for Tax Exempt Status (Form 3500) | Permanent |
| Letter of Determination (for example, from the IRS in the USA or the state) granting tax exempt and/or charitable status | Permanent |
| Board Policies | Permanent |
| Resolutions | Permanent |
| Board and Committee Meeting agendas and minutes | Permanent |
| Sales Tax Exemption Documents | Permanent |
| Tax or employee ID Number Designation | Permanent |
| Annual Corporate Filings | Permanent |

Financial Records

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| Chart of Accounts | Permanent |
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| Fiscal Policies | Permanent |
| Audits | Permanent |
| Financial Statements | Permanent |
| General Ledger | Permanent |
| Check Registers/Financial records | 7 years |
| Business Expenses Docs | 7 years |
| Bank Deposit Slips | 7 years |
| Cancelled Checks | 7 years |
| Invoices | 7 years |
| Investment Records (deposit, earning, withdrawals) | 7 years |
| Property/asset inventories | 7 years |
| Petty cash receipts /documents | 7 years |
| Credit card receipts | 7 years |

Tax Records

| | |
|--|-----------|
| Annual Tax Filing for the organization (IRS Form 990 in the USA) | Permanent |
| FTB Annual Form 199 | Permanent |
| Payroll Registers | Permanent |
| Filings of fees paid to professionals (IRS Form 1099 in the USA) | 7 years |
| Payroll tax withholdings | 7 years |
| Earnings records | 7 years |
| Payroll tax returns | 7 years |
| W-2 statements | 7 years |

Personnel Records

| Document | Time Period |
|---|--|
| <p>Recruitment, Hiring, and Job Placement Records</p> <ul style="list-style-type: none"> • Job applications • Resumes • Letters of recommendation • Other job inquiries sent to the Charter School • Job advertisements/postings • Results of non-medical pre-employment tests • Offers of employment • Employment agreements • Signed pre-employment disclosures (employee handbook acknowledgment, complaint procedures, etc.) • Employee training (harassment prevention, mandated reporting, etc.) • Employee certificates, credentials, licenses, and other evidence of qualifications • Certificate of criminal background check clearance (or failure) | <p>3 years after separation or for the duration of any claim or litigation regarding hiring practices</p> |
| <p>Employee Performance and Other Personnel Records</p> <ul style="list-style-type: none"> • Job descriptions • Training and testing • Performance goals • Performance evaluations • Written feedback and commendations • Promotions and demotions • Letters of reprimand and discipline • Performance Improvement Plans • Termination, resignation, lay-offs, etc. • Notices and letters | <p>3 years after separation</p> |
| <p>Employee Medical Leave Records (PDL, FMLA, CFRA, etc.) *</p> <ul style="list-style-type: none"> • Requests for leave • Health care provider notes • Leave calculations • Records of disputes regarding leave • Employee benefits related to leave • Leave Policies | <p>3 years after separation</p> <p>* Records that contain employee confidential medical information should be retained in a separate, secure file.</p> |

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| <p>Employee Wage Records</p> <ul style="list-style-type: none"> • Employment agreements • Wage rates and calculations • Shift schedules (hours and days) • Timecards • Individual calculations for absences, sick days, vacation days, etc. • Itemized wage statements/pay stubs | <p>3 years after separation</p> <p>Note: If a record is both a wage record and a payroll record, follow the longer retention period.</p> |
| <p>Employee Payroll Records</p> <ul style="list-style-type: none"> ➤ Employee name, address, age, and occupation ➤ Individual wage records ➤ Regularly hourly rate ➤ Hours worked (daily/weekly) ➤ Weekly overtime earnings ➤ Daily and weekly straight-time earnings ➤ Deductions from or additions to wages ➤ Wages paid each pay period ➤ Pay dates and pay periods ➤ Unemployment Insurance Records | <p>4 years, generally</p> |
| <p>Employment Eligibility (I-9 Forms)</p> | <p>The latter of (a) 1 year after separation, or (b) 3 years from date of hire.</p> |
| <p>Employee Health Records*</p> <ul style="list-style-type: none"> ➤ First-aid records ➤ Job injuries (causing loss of work time) ➤ Drug and alcohol test records | <p>5 years after separation</p> <p>* Records that contain employee confidential medical information should be retained in a separate, secure file.</p> |
| <p>Employee Workers' Compensation Records</p> <ul style="list-style-type: none"> ➤ Copies of claim forms ➤ Reports of occupational injury or illness | <p>5 years after date of injury and 2 years after claim has been closed.</p> |

| | |
|--|--|
| <ul style="list-style-type: none"> ➤ Letters of denial of benefits ➤ Reports to the Division of Workers' Compensation ➤ Benefits paid ➤ Estimates of future benefits ➤ Applications to the Workers' Compensation Appeals Board ➤ Orders and Awards of the Workers' Compensation Appeals Board | <p>* Records that contain employee confidential medical information should be retained in a separate, secure file.</p> |
| <ul style="list-style-type: none"> • Employee Benefit Records • Benefits elections • Beneficiary designations • Eligibility determinations • COBRA notices • Summary plan descriptions • Other welfare benefit plan information (life, health, disability, long-term care, post-retirement medical) | <p>6 years after separation, but not less than 1 year following a plan termination.</p> <p>* Records required to determine retirement benefits, including 401(k) and similar plans, must be kept indefinitely.</p> |
| <p>Chemical Safety and Toxic Exposure Records</p> | <p>30 years after separation (medical records of employees who have worked for less than (1) year for the employer need not be retained beyond the term of employment if they are provided to the employee upon the termination of employment)</p> |

Note: For simplicity, Navigator may choose to keep the majority of an employee's personnel file and other records for the duration of employment plus four (4) years. This time period covers nearly every law, with the exception of three (3) types of records, as outlined above, that must be removed from a file before it is disposed of and retained for a longer duration:

- Pension and welfare plan information (6 years)
- First aid records of job injuries causing loss of work time (5 years)
- Safety and toxic or chemical exposure records, including safety data sheets (30 years)

Insurance Records

| | |
|--|-----------|
| Property Insurance Policy | Permanent |
| Directors and Officer's Insurance Policy | Permanent |
| Workers' Compensation Insurance Policy | Permanent |
| General Liability Insurance Policy | Permanent |
| Insurance Claims Applications | Permanent |
| Insurance Disbursements/ Denials | Permanent |

Contracts

| | |
|---|---------------------------|
| All insurance Contracts | Permanent |
| Employee Contracts | 7 years after termination |
| Construction Contracts | Permanent |
| Legal Correspondence | Permanent |
| Loan/mortgage and Real Estate Documents | Permanent |
| Leases/Deeds | Permanent |
| Vendor Contracts | 7 years |
| General and all other Contracts | 7 years |

Donations / Funder Records

| | |
|--|-----------|
| Grant Dispersal Contract and any related documents | Permanent |
| Donor Lists | 7 years |
| Grant Applications | 7 years |
| Donor Tax Letters | 7 years |

Management Plans and Procedures

| | |
|---|---------|
| Strategic Plan | 7 years |
| Staffing, programs, marketing, finance, fundraising, and evaluation plans | 7 years |
| Vendor Contracts | 7 years |
| Disaster Recovery Plan | 7 years |

III. FINANCIAL MANAGEMENT

xv. Borrowing Funds/Loans

The Board of Directors approves the assumption of debt, including lines of credit or loans from banks and other financial lenders. Board authorization for a line of credit provides management with the discretion to draw on the line as needed. Management may establish trade lines of credit with suppliers as needed, without board approval, within the scope of purchasing and contract approval thresholds.

Employee loans are not allowed.

Borrowing, lending, and transferring funds between Navigator schools is not permitted.

xvi. Budgeting Process

In consultation with the CEO, the Finance Team will prepare an annual budget, including revenues, expenditures, and cash flow projections for presentation to the board of directors. The budget is to be approved by the Board of Directors no later than June 30, prior to the start of each fiscal year and subsequent to the approval of the Local Control Accountability Plan (LCAP).

The CEO and CFOO will collaborate with the Support Team, Principals, and all program managers to ensure that the annual budget accurately reflects the programmatic and infrastructure goals for the coming year.

The Board may adopt an amended budget as expenses and revenue projections change during the year.

xvii. Cash Management

All funds will be maintained in an FDIC-insured financial institution or invested in accordance with the current investment policy. The following investing objectives, in order of priority, are preservation and safety of principal, liquidity, and yield. The CEO will obtain Board approval before opening or closing a bank account or investment account.

xviii. Insurance

Navigators Schools will ensure appropriate insurance is maintained at all times.

The business office will maintain the insurance policy files, including up-to-date copies of all certificates of insurance, insurance policies, and related claim forms.

The CEO, CFOO, Director, Compliance & Operations, and Director, People Support, will carefully review insurance policies prior to renewal on an annual basis.

The organization will always maintain insurance with a high-quality insurance agency for:

- General Liability
- Property
- Workers' Compensation
- Professional Liability

- Directors' and Officers' Coverage
- Umbrella coverage
- Student accident

Coverage will align with the limits set forth in the school's approved charter petitions.

xix. Operating Reserves

The organization will ensure adequate reserve balances to meet annual cash flow needs. The CEO and the Governing Board are responsible for understanding the organization's cash situation and prioritizing payments as necessary to manage cash flow.

The CFOO and CEO will monitor the organization's reserve level and report it to the board of directors quarterly.

The Governing Board may recommend restricting a portion of the operating reserve fund for strategic goals

xx. Reserve Policy for Navigator Schools

The objective of the reserve policy is to establish rules governing the usage of funds held in school reserves. The school's reserve policy will guide multiyear planning of school expenditures and seek to protect against sudden declines in revenues or unforeseen large expenditures.

Minimum Reserve Requirements

Navigator schools at full enrollment are expected to end each fiscal year with an unrestricted fund balance equal to or exceeding an amount equivalent to **25% of the current fiscal year budgeted operating expenses**. Exceptions will be granted in the following instances with Board approval only if the following conditions are met:

1. Approval by the Board prior to the fiscal year in the Jul 1 budget process.
2. A 5% decline in budgeted state revenues occurs after the Board approves the Jul 1 budget.

3. The school experiences a 2-month or more delay in state funding (i.e., deferrals).
4. P-2 ADA projections decline below the P-2 ADA target (listed in the approved budget) by 5% or more.
5. An unanticipated school expense greater than \$100,000 requires payment

Reserve Targets

The Board finance committee may set targets for school reserve levels that are above minimum requirements. The finance committee will work in conjunction with members of Navigator's Executive Leadership Team to set reserve targets in accordance with Navigator's long-term strategy and priorities. General guidelines are as follows:

- Navigator's finance department will maintain a five-year financial forecast for all aspects of the organization. This forecast will enable the Board and Leadership Team to develop insight into key drivers and see trends that are not evident in annual budgets.
- Reserve targets will be set based on an assessment of:
 - Funds needed to accomplish objectives in Navigator's long-term strategic plans while maintaining minimum reserve requirements
 - The current year reserve percentage projection for the current year, upcoming budget year, and for two successive years.
 - Changes in the local environment or economic conditions may require adjustments to current reserve balances.
- The Board finance committee may set a reserve target below the school's current reserve level for (but not limited to) the following purposes:
 - To fund programmatic investments not to exceed two years in length
 - To fund research & development (pilots)
 - To fund repairs and maintenance beyond the scope of scheduled work.
 - To fund structural operational changes.
- Navigator schools should work each fiscal year with an unrestricted fund balance equal to or exceeding an amount of the target set by the Board Finance Committee in the budget approval process. Missed targets may be permitted by the Board Finance Committee if the following conditions

are met:

- A 5% decline in budgeted state revenues occurs after the Board approves the new fiscal year budget.
- The school experiences a 2-month or more delay in state funding (i.e., deferrals).
- ADA projections decline below the ADA target in the approved budget by 5% or more.
- An unanticipated school expense greater than \$100,000 requires payment

The Governing Board may develop an additional Operating Reserve Policy to specify the use of the Operating Reserves.

xxi. Reserve Policy for Navigator Network

The objective of the reserve policy contained within is to establish rules governing the usage of funds held in Network reserves. The network reserve policy will guide multiyear planning of management expenditures and facilities projects. It also seeks to provide protection against sudden declines in revenues or unforeseen large expenditures.

Minimum Reserve Requirements

The Navigator Network is required to maintain an unrestricted fund balance equal to or exceeding an amount equivalent to **25% of the current year's budgeted operating expenses in its unrestricted fund balance.**

The network can use reserve funds below the minimum reserve requirement with Board approval only if the following conditions are met:

- A planned decision by the Board in the Jul 1 budget setting process
- A 5% decline in budgeted state revenues occurs after the Board approves the Jul 1 budget.
- One or more Navigator schools experience a 2-month or more delay in state funding (i.e., deferrals).
- Network-wide P-2 ADA projections decline below network-wide P-2 Target ADA (listed each school's approved budget) by 5% or more.
- An unanticipated NNT expense greater than \$100,000 requires payment

Setting Reserve Targets

The board finance committee may set reserve targets below the network's current reserve level (but above the minimum) for (but not limited to) the following purposes:

- To fund a deficit in network revenue in a particular year driven by:
 - Sudden declines or delays in funding from the state (deferrals)
 - Sudden drops in enrollment
- To fund research & development (pilots)
- To fund a capital or facility project not fully funded by the facilities reserve

Policy Review

- Reserves will be reviewed annually as part of the final audit review process (done in the late-Nov to mid-Dec timeframe) and also as part of the June budget approval process
- During these reviews, attention will be paid to the following:
 - The Current Year Reserve percentage projection for the current year, the upcoming budget year, and two successive years.
 - Changes in the local environment or economic conditions may require adjustments to current reserve balances.
- The adequacy and efficacy of the reserve policy will be evaluated by the Finance Committee every 2 years during the November-December time frame.
- If a change in policy is required, the Finance Committee will develop a proposal highlighting the changes and the rationale for them for consideration by the Board.
- The Board will review and decide on the proposal put forth.
- If adopted, such policy change will go into effect for the next fiscal year.

xxii. CMO Revenue

Navigator Schools CMO will acquire revenue primarily through two sources: (i) Management Fees from Navigator Schools in exchange for support services and (ii) Fundraising through donations or non-public grants.

Management Fee Determination

In consideration for the support services described below (see Scope of Support Services), the CMO shall receive a quarterly Management Fee from each school based on the affordability of each school's operations and calculated on the school revenue (excluding revenues from EPA and

reimbursement programs such as NSLP and school uniforms, ASES, PCSGP, Special Education, and Federal Title revenue) determined in accordance with United States generally accepted accounting principles which are consistently applied.

Scope of Services

Navigator will provide the following services in exchange for management fees received:

- Creating the School, including, but not limited to, any and all required legal and financial filings.
- Creating, preparing, and submitting the school's charter.
- Providing professional and leadership development training for certain employees before the commencement of the school year and continuing throughout the school year as necessary.
- Providing office services, such as accounting, payroll, human resources/people support, and billing.
- Supervising the annual budget.
- Managing recruitment, interviewing, candidate selection, offboarding, onboarding and credentialing.
- Ensuring human resource compliance with current labor laws.
- Developing and executing fundraising opportunities.
- Working with the Charter Authorizer, CDE, and other agencies as necessary, including complying with reporting requirements and any other general inquiries received from these agencies.
- Supervising parent coordination and parent involvement generally.
- Marketing for student enrollment and teacher recruitment.
- Assisting with public relations.
- Writing grants for state and other funding.
- Providing guidance relating to the curriculum.
- Providing support for information technology.
- Securing working capital financing for the school.
- Providing financial support as needed; provided, however, that such support be agreed to by the parties in separate writing.

- Provide any other operational or educational needs relating to the school that the school may reasonably request of the CMO.
- Collecting Special Education funds and managing the Special Education program budget on behalf of all Navigator schools that are part of the El Dorado County SELPA and therefore, having the authority to determine the allocation of Special Education dollars based on Special Education needs at each site.
- Providing guidance relating to model development and innovation.

CMO Expenditures

The Navigator CMO will provide all services listed in the scope of services. Accordingly, certain expenditures have been eliminated from the school-level budget because the CMO will provide the services to the school. Specifically, the following expenditures have been eliminated:

- Audit Fees
- Business Services Fees
- Financial Service Contracts
- Payroll Processing Fees
- Insurance Expenses
- Fundraising Expenses
- Legal Fees
- Staff Recruiting Expenses
- Marketing/Outreach Expenses
- Internet/Website Consulting Expenses
- Board Expenses

Schools shall be responsible for incorporating into their budgets all other costs and expenses necessary to fulfill their obligation to the mission.

IV. REVENUE & ACCOUNTS RECEIVABLES

xxiii. Cash Receipts & Deposits

- Receipts of cash and/or checks will be collected by the school office who will account for the funds according to the event, tabulate the total, and prepare the deposit slip.
- The school office turns the deposit into the business office where the deposit is re-counted to verify the deposit total.

- Funds are deposited as soon as practical, ideally the same day and in no case later than three working days.
- All cash is immediately put into a locked, secure place.
- Checks deposited are copied and attached to the duplicate deposit slip.
- Documentation will be maintained for all deposits.

V. EXPENSE AND ACCOUNTS PAYABLE

xxiv. Accounts Payable

- All original invoices will be forwarded to the business office for processing.
- All documentation (purchase order, packing slip) will be attached to the invoice.
- The business office will review the invoice, code it for accounting purposes, and enter it into the accounting system for payment.
- All documentation will be attached to the check and presented for signature.
- Checks (outside of payroll), over \$10,000 must be signed by two authorized signers.
- Check stubs will be attached to the invoice and filed by the vendor.
- Voided checks will be recorded in the accounting system, with 'VOID' written across them in ink, and maintained in a separate file.
- Navigator processes payments every week.
- Navigator's terms for payment of invoices is net 30.

xxv. Cell Phone

Employees shall abide by the cell phone reimbursement policy as set forth in the employee handbook.

xxvi. Credit Cards

School credit cards shall only be allowed for school purchases.

Authorized cardholders are assigned by the CEO or CFOO

Receipts are uploaded to Expensify, and the business office will review and reconcile statements.

Cardholders will specify the expense so it can be appropriately accounted

for in the accounting system.

Failure to turn in receipts in a timely manner may revoke the employee's charging privileges.

xxvii. EFT Payments

All electronic payments (wire, ACH, transfer between bank accounts, etc.) shall be approved by the CEO, CFOO, and their designee.

xxviii. Employee Reimbursements

Employees will be reimbursed for expenditures within 10 days of presenting appropriate documentation.

Receipts are required for all expenses to be reimbursed.

The employee and their supervisor must sign the expense reimbursement. The CEO's expense report shall be approved by the DCO.

xxix. Governing Board Expenses

Any Board Member incurring authorized expenses while carrying out the duties of the organization will complete and sign an expense reimbursement form.

The CEO will approve and sign the expense reimbursement form and submit it for payment.

xxx. Payroll

All non-exempt employees are responsible for completing a timesheet, including vacation, sick, and holiday time (if applicable). The employee and the appropriate supervisor will sign the completed timesheet.

The completed timesheet will be submitted on the last working day of the designated payroll period.

Overtime only applies to classified non-exempt employees. Any hours worked in excess of an employee's regular work schedule must be pre-approved by the supervisor.

Overtime will not be granted routinely and is only reserved for extraordinary or unforeseen circumstances.

All employees are paid on a bi-weekly pay cycle.

xxxi. Petty Cash

Navigator Schools will not have a petty cash fund, but the Board may authorize one in the future.

xxxii. Procurement and Purchases

The CEO and CFOO may sign related contracts within the approved budget.

When approving purchases, the CFOO or designee will verify if the expenditure is budgeted and will determine if funds are currently available for expenditures. If expenditure is allowable under the appropriate revenue source, the DCO will issue a purchase order number to the vendor.

Any individual making an authorized purchase on behalf of the school must provide appropriate documentation of the purchase.

Individuals who use personal funds to make unauthorized purchases will not be reimbursed. Authorized purchases will be promptly reimbursed by a bank check or through Expensify/Ramp upon receipt of appropriate documentation of the purchase.

Teachers are allotted \$600 annually for classroom purchases, and paraprofessionals and Small Group Instructors are allotted \$100 annually. Authorized purchases will be promptly reimbursed by bank check upon receipt of appropriate documentation of the purchase.

Purchases requiring prepayment are allowed with prior written approval of the CEO, CFOO, or designee.

xxxiii. Travel

Employees shall abide by the travel and expense reimbursement policy as set forth in the employee handbook.

xxxiv. Asset Management

Capitalization and Depreciation:

Navigator Schools will capitalize and depreciate all assets costing \$5,000 or more. All other assets not categorized below are charged to expense in the year incurred.

Capitalized assets are recorded at cost and depreciated under the straight-line method over the estimated useful life, which can range from:

- Leasehold Improvements: Lease term or five (5) years, whichever is shorter.
- Equipment: 3 years
- Furniture: 5 years

Repair and maintenance costs, which do not extend the useful lives of the assets, are charged to expense. The cost of assets sold or retired and related amounts of accumulated depreciation are eliminated from the asset accounts, and any resulting gain or loss is included in the earnings for the year.

Disposal of Surplus Property and Donations:

- Surplus property means property that is no longer in use, is damaged beyond repair, or that Navigator Schools deems has no future value to the school's program.
- The Board or the CEO shall declare the property surplus and direct staff on the means of disposal, such as sale, donation, destruction, or disposal.
- Should the school wish to sell equipment or other surplus property, the Board or the CEO shall direct staff by giving specific guidance regarding the manner in which such property is to be sold.
- Once equipment or other property has been declared surplus by the Board or CEO, requirements for potential organizations shall include:
 - The organization is fully independent of the school, with none of the school's Board members or key personnel involved in the Donee organization.
 - The organization is a non-profit or governmental entity related to education.
- Navigator Schools will receive a receipt from the Donee organization for the donated property.
- The donated assets shall be removed from the school's books, and the donation shall be recorded as required by state and federal audit guidelines.
- Before any property acquired with federal grant funds (costing \$3,000 or more) is donated or disposed of, the school shall first notify the federal contract administrator.