

Financial Policies and Procedures

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

PURCHASES

Authorization of Expenditures

All purchases of goods and services shall be consistent with the Board-approved budget. These purchases shall not require Board-approved/executed contracts, with the exception of expenditures in total fiscal year annual amounts greater than \$15,000. All other proposed expenditures must be approved by the Head of School or Director of Finance and Operations who will review the proposed expenditure to determine whether it is consistent with the Board adopted budget and sign the check request and purchase order forms (if applicable).

Execution of Expenditures

Employees authorized to obtain invoices and/or make purchases on behalf of the school are: Office Manager, Director of Finance and Operations, Assistant Head of School, and Head of School. These employees may do so according to the Board-approved budget and within the authorization limits as set forth below under Commitments, Invoices and Purchase Orders.

Contracts

All professional consulting services over \$1,500.00 shall be provided for under a written contract. Contracts for other goods and services exceeding \$15,000.00 on an annual basis shall be presented to the Board for approval prior to commitment and/or signing. Length of contracts shall be at the discretion of the Board. In general, contracts exceeding \$15,000.00 shall be let after a bidding process of sufficient duration to ensure competition.

Commitments, Invoices and Purchase Orders

Commitments, invoices, and/or purchase orders up to and including \$1,000.00 must be approved by one of the following authorized positions: Head of School, Assistant Head of School, Director of Finance and Operations, or Office Manager, and must be in line with the board-approved budget.

Commitments, Invoices, and/or purchase orders of \$1,000.01 to \$5,000.00 must be approved by one of the following authorized positions: Head of School, Assistant Head of School, or Director of Finance and Operations and must be in line with the board-approved budget.

Commitments, invoices, and/or purchase orders of \$5,000.01 to \$15,000.00 must be approved by the Head of School and the Director of Finance and Operations and must be in line with the board-approved budget.

Commitments, invoices, and/or purchase orders of \$15,000.01 or more must be approved by the Board. All commitments, invoices and/or purchase orders will be reviewed by the Director of Finance and Operations or Head of School for initial budget compliance.

Purchase Orders

Once the purchase order is approved, orders may be placed with the vendor via mail, telephone, fax, the internet, or in person. When orders are placed in person or by telephone, the vendor contact person and date of order should be noted, and a confirming copy of the purchase order should be sent to the vendor.

The Director of Finance & Operations or designee is ~~business office or purchasing group or department~~ remains responsible for communicating with those receiving the merchandise and should confirm and monitor shipping and delivery.

When purchase orders are issued, a copy ~~the purchasing or business office copies~~ should be placed in an open file or logged in an open purchase order list until the items are received. The open file or list should be reviewed weekly to determine whether any orders need follow-up.

The vendor's packing list for received merchandise should be kept where the shipment was received, and check or tick marks should be made on the packing slip to indicate that the items are present.

If a partial shipment is received, all documents should identify the shipment as partially received, and the original purchase order should remain in the open file until all items are received.

Because a purchase order is a legally binding contract when the supplier, vendor, or service provider accepts it, staff should always make sure purchase orders communicate each request or requests clearly and in detail to avoid confusion. The purchase order should include terms, deliverables, and any other information needed to complete the purchase successfully.

Accounts Payable

The ~~S~~school shall abide by the School's CSCE's back-office provider's accounts payable policies and procedures set forth separately to the extent consistent with this policy and all applicable laws.

Credit ~~and Debit~~ Card Usage

School credit cards shall be issued only to personnel who travel on School business or who have a legitimate need to purchase goods and services, either in person or online, or when a vendor will not accept a purchase order. Credit cards shall not be used to bypass established purchasing procedures, including advance approval processes, and the use should be minimal and infrequent.

Every staff member who is authorized to use a credit card shall be required to sign a credit card use certification statement annually, acknowledging that the card shall be used exclusively for legitimate charter school-related business purposes and that the cardholder agrees to take reasonable precautions to protect the card from loss or theft by storing it in a secure location. Upon approval from the credit card company, a card will be issued bearing the names of both the individual and the organization.

The School shall have only one credit card account with a limit up to \$~~22,510,000~~22,510,000.00. The authorized users of the credit card shall be the Head of School, Assistant Head of School, Director of Finance and Operations, and the Office Manager. The Director of Finance and Operations may delegate specific usage of credit card funds as deemed fit to additional users on an emergency, as needed basis. The use of the Credit Card shall be consistent with the board-approved budget. It should be used for emergency purposes only. The School's CSCE's preferred method of vendor payment is via check through its back-office provider. The School CSCE shall not obtain or use a debit card.

Cardholders shall be personally liable for all inappropriate charges and personally responsible for settling any dispute over any purchase from a vendor.

Credit card purchases must be approved in advance. Any School credit cardholders may have their card revoked for violation of the preapproval process if it is determined there was enough time for them to request and receive approval for a purchase order using normal purchasing procedures.

When using a credit card for internet purchases, cardholders should ensure that the website uses secure socket layer encryption (these website addresses will start with https).

Credit cards shall not be used to purchase alcoholic beverages.

Credit cards shall not be used for personal expenses.

Cardholders shall not assign to someone else the use of a credit card, or pay for another employee's or person's expenses with the credit card.

All back-up documents related to credit card use should be initialed by the cardholder. ~~If a receipt is missing, payment may be the responsibility of the cardholder, unless the Director of Finance and Operations determines otherwise.~~ Inappropriate or overuse of the affidavit of lost or missing receipt may result in the loss of credit card privileges and disciplinary action.

If the accounting department staff identifies/identifyies any inadvertent personal charges or unauthorized uses of the card, the card statement and all backup documentation will be forwarded to the Director of Finance and Operations for review.

The Director of Finance and Operations will discuss with the cardholder any charges of concern,

and the cardholder will be required to reimburse the School immediately for any inadvertent personal charges or unauthorized charges.

The Director of Finance and Operations determines whether to revoke the cardholder's credit card privileges and whether any disciplinary actions will be taken. The Director of Finance and Operations's and Head of School's credit card privileges may be revoked by the Board of Directors.

Purchases made using a credit card are subject to the same criteria and requirements as all other purchases.

Review and approval procedures are as follows:

- The credit cardholder will review the card statement to ensure it includes only their own approved charges.
- The Director of Finance & Operations accounting department staff will review all charges on the card statement against all purchase documents the cardholder submits.
- Any charges not made by the cardholder will be identified and discussed with the accounting department staff and forwarded to the Director of Finance and Operations.
- The Director of Finance and Operations will review and approve or disapprove of most employee credit card use; the Head of School will review and approve or disapprove the Director of Finance and Operations's credit card use; and the Chair of the Board of Directors will review and approve or disapprove the Head of School's credit card use.
- The Director of Finance and Operations will review charges and supporting documentation for the monthly statement before approving any payment.
- All cardholders should report the loss or theft of their School credit card immediately to the credit card company and the Director of Finance and Operations, even if the loss or theft occurs on a weekend or holiday. If a credit card is stolen, the cardholder should file a police report, and a copy of the report should be maintained for insurance purposes.

Other Electronic Payments

Other electronic payment methods (wire, ACH, transfer between bank accounts, etc.) shall not be permitted for payment of any expenses or reimbursements except for Kaiser, CoPower, Vision Service Plan (VSP), East Bay Municipal Utility District (EBMUD), Pacific Gas & Electric (PG&E), Waste Management, Industry Specific Solutions (Sub Teacher Source), and Divvy.

Employee Reimbursements

Business use of telephones or cell phones shall be reimbursed. Business use of personal telephones for reimbursement must be approved in advance. ~~Business meals shall be reimbursed using standard applicable IRS guidelines. Under no circumstances shall alcohol be reimbursed.~~ In the rare occasion that an employee needs to purchase supplies on behalf of

~~the School CSCE, the employee must have written approval from the Director of Finance and Operations or Head of School prior to making the applicable purchase. The employee must then submit an original itemized receipt along with a fully executed reimbursement request with appropriate approval(s).~~

The Head of School and Director of Finance and Operations must obtain a Board member's authorization on reimbursement requests payable to the Head of School's or Director of Finance and Operation's name.

Expense Reimbursement:

1. Within 30 days of an expense occurring, an employee who seeks reimbursement for authorized expenses completes the required forms detailing the expenses incurred, attaching originals of supporting documentation, including itemized receipts or invoices.
2. All purchases are supported by receipts in order to be reimbursed.
3. The employee's required form(s) and receipts are reviewed and approved by the Director of Finance and Operations.

Reimbursable expenses must be pre-approved. Items that are not reimbursable include air travel insurance, first or business class travel, lodging within a 50 mile radius of the School, personal memberships, personal items, personal phone calls, personal services, entertainment, alcohol and alcoholic beverages, and gifts.

Travel to events should be approved in advance, and those making the arrangement should always strive to obtain the best possible price.

Unless School administrators consider something an emergency, travel arrangements should be made at least 15 days in advance to obtain better pricing.

Employees should provide an itemized receipt from the hotel that details all charges and dates, and clearly indicates for whom the lodging was provided. Documents should include any itemized receipts for parking, tolls, car rentals, taxis, food and other expenditures related to the travel for which the employee obtained prior approval.

Travel by Automobile

An employee who uses his or her personal automobile for business shall be reimbursed at the most current IRS mileage rate. The employee shall document in their expense report the dates, miles traveled, and business purpose of each trip.

The School assumes no responsibility for personal automobiles used for business. Parking should be reimbursed for the actual cost, and a receipt is required. Any traffic or parking violation should always be the sole responsibility of the employee.

Employees who use private vehicles in the course of their official duties are required to have in their possession a valid California driver's license and carry current automobile insurance with at

least the minimum coverage for public liability and property damage as specified by the State of California. An employee who operates a private vehicle in violation of the above insurance requirement should be subject to disciplinary action.

The lease or rental of automobiles by employees may be authorized for office business purposes, but should be approved by Director of Finance and Operations in advance. Authorization should be contingent on the cost being less than what would be incurred at the current IRS-approved rate per mile when using one's own private vehicle, and/or using a taxi or rideshare service.

Carpools are strongly encouraged when two or more employees need to travel to the same destination and would otherwise do so in separate privately owned vehicles, unless other official business circumstances make such pooling impractical and more costly.

Air Travel

Air travel should be authorized by the Director of Finance and Operations when he or she deems it reasonable, when it results in a cost savings, and when it promotes the efficiency of the employee.

Lodging

Lodging arrangements should be preapproved by the Director of Finance and Operations. The employee is ~~responsible~~ responsible for all additional costs for an accompanying companion.

Meals

~~Meals should only be reimbursed if travel requires an overnight stay unless otherwise approved by the Director of Finance & Operations.~~

Employees traveling on approved charter school business may choose to be reimbursed for the actual costs of meals. An itemized receipt must be submitted showing the cost of food, beverages, and gratuities, including the name of every person for whom food or a beverage was provided, and the business purpose. Gratuity shall not be paid in excess of 20%.

Miscellaneous Expenses

Any business expenses not categorized above should be listed under miscellaneous expenses on the reimbursement form and documented with all information needed to substantiate the expense. These expenses should be reimbursed at the actual cost if listed under miscellaneous expenses on the reimbursement form and if the employee submits documents that substantiate the expenditure. ~~All individual costs in excess of \$5 should require a receipt.~~ Examples of other expenses are necessary transportation (e.g., taxi, Uber, Lyft), registrations, and parking. For toll roads and bridges, when a receipt is not practical and the amount is more than \$5, the amount and the road or bridge should be identified.

Non-reimbursable expenses

Personal expenses such as laundry, valet service, personal telephone, personal internet, entertainment, and alcohol are not reimbursable. Excessive and unreasonable costs such as valet parking, in-room telephone, and food from the honor bar in hotel rooms shall not be reimbursed.

Payment for internet service will only be reimbursed if preapproved by an administrator, and then only if deemed necessary for work .

Petty Cash – Purpose and Usage

The School does not have a Petty Cash Account.

Personal Use of School Funds

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

BANKING

General Checking Account

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

The General Checking Account, or “Operating Account,” shall be the primary account for School needs. Authorized signatories to this account shall be the Head of School, the Director of Finance and Operations, and the Chair of the Board of Directors. Checks above \$25,000.00, and checks payable to an authorized signer, must be signed by two authorized signatories-people. Authorized signers for checks above \$25,000.00 from this account shall be the Chair of the Board of Directors, Head of School, and Director of Finance and Operations.

The General Checking Account shall be reconciled monthly by an outsourced accountant, employed by the School’s CSCE’s back-office provider. The outsourced accountant, shall preparecut and send checks but is not the signor. The back-office provider does not have the ability to approve expenses nor to manage funds in any School CSCE account. The monthly Bank Reconciliations shall be reviewed and approved by the Finance Committee or a representative of the Board that does not have access to the account.

Deposits of Receipts

The School will deposit all funds received as soon as practical upon receipt. The Office Manager will receive, open, date stamp, and distribute all incoming mail on a daily basis. As funds are

received, such as checks, money orders, or cashier's checks, they should be forwarded to the Director of Finance and Operations.

The Director of Finance and Operations or designee shall:

- ~~should~~ Stamp all checks with a restrictive endorsement including the statement "For Deposit Only.", the School's designated bankbankk account number, the name of the School and the bank's name and the Director of Finance and Operations shall make a copy of each check.
- Prepare journal entries and deposit slips. A copy of each check to be deposited is made and attached to a copy of the deposit slip and filed to provide support for all deposits. The back-office business services provider reviews and signs off on journal entries. The back-office business services provider also inputs journal entries.
- Make deposits no later than on a weekly basis. If deposits are made other than daily, the deposit should be maintained in a secure area with limited access.

Reconciliation of cash receipts to deposit slips and bank statements are performed by the Director of Finance & Operations and the back-office business services provider on a monthly basis. All cash is counted with dual controls. At no time should the "less funds returned" section of a bank deposit slip be used; the entire amount should always be deposited without any cash returned or withheld. Similarly, no disbursements should be made from any cash collections.

Anyone who wishes to pay the School in cash for any service, fundraiser donation, or other reason should be directed to the Office Manager or Director of Finance and Operations, who should issue a receipt and record the received amount in a cash receipts log when received. The individual who issues a cash receipt should always verify that all the correct documents and information are provided to support the transaction.

The following are required to issue a cash receipt:

- A prenumbered triplicate cash receipt book.
- Photocopies of any checks received.
- A completed receipt in the triplicate cash receipt book. The original receipt is given to the payee who provided the payment, the yellow or first copy accompanies the cash count form and deposit documents, and the pink or second copy remains in the receipt book.

At the end of each day, the cash receipts log amounts should be matched to the individual receipts accompanying the cash, and to the cash count. The count should be performed and confirmed by two people (also known as witnesses), one of whom may be the individual who collected the cash. All funds and the cash receipts log shall be kept in a locked, fireproof safe that is bolted securely to the ground on the School premises.

If the cash balance at the end of day exceeds \$500, a bank deposit should be made the same day if possible. Otherwise, bBank deposits should be made on a regular weekly basis by the Head of School and/or the Director of Finance and Operations, as applicable. At the time of deposit, all cash and checks should be collected and a bank deposit slip prepared. A copy of the deposit slip should be attached to the deposit, and all backup should be attached to and filed with the monthly

bank statement.

If any ~~cash payments~~ funds are ~~received remitted by to~~ any ~~employee one~~ other than the Office Manager or Director of Finance and Operations, the handler should follow the receipting and handling procedures described above, including keeping the funds in a locked, fireproof safe ~~that is bolted securely to the ground on the School premises in a secure location~~ until the funds can be delivered to the Office Manager or Director of Finance and Operations. At that time, funds should be counted, confirmed, and receipted by the ~~empolyee receiving person with~~ the funds and the ~~Office Manager business office person~~ or Director of Finance & Operations.

TRAVEL POLICIES

Employee Mileage Reimbursement

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

~~All employees requesting such mileage reimbursement are required to furnish an Expense Report containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date, and supported by receipts or statements, as applicable.~~

Cash Boxes

~~A portable cash box issued by the business office may be used to collect money at fundraising activities, ticket sales and other events or activities.~~

~~Individuals who collect cash for fundraisers and activities for which a cash box is issued shall safeguard the cash properly. Once all cash has been collected, it should be recorded on a cash count form. Two individuals should count the cash together, and both should sign and date the cash count form and remit the funds to the business office. Every effort should be made to turn in the cash the same day as the fundraiser or activity. Any funds collected but not turned in to the business office for the final counting and deposit to the bank should never be taken home or left in any unprotected environment. Instead, they should be sealed in a tamper-proof plastic bank bag and locked securly placed in a locked, fireproof safe that is bolted securely to the ground on the School premises.~~

~~When the Director of Finance & Operations business office receives the cash box funds, the funds should be counted again by a business office staff member and a witness, or second business office staff member and each should sign the cash count form as verification of their confirmation. The cash and the verified cash count form should be placed in a tamper- proof plastic bank bag and secured in a locked safe, fireproof safe that is bolted securely to the ground until the cash is remitted to the business office for deposit.~~

~~Cash box proceeds should be controlled and processed in the same manner as other cash receipts. If the cash balance at the end of day exceeds \$500, a bank deposit should be made the same day, if possible. Otherwise, all bank deposits should be made by the last business day of the week. No~~

funds should be left in the cash box.

OTHER PRACTICES

Budget Adoption

A budget shall be adopted by the Board no later than June 30 prior to the start of each new fiscal year, or earlier if required by the chartering authority authorizing entity.

~~During the course of the year, the Board may adopt an amended budget as expenses and revenue projections change.~~

At a minimum, budget revisions should be made during the interim financial reporting process, and as necessary, at other times throughout the fiscal year. Specifically, the first and second interim reports due to the chartering authority in December and March respectively should reflect revised projected revenue and expenditure totals. In addition, depending on the timing of the state's adoption of the annual budget act, and the changes with the start of the school year, the School shall, as appropriate, prepare a revised budget for the Board of Directors' approval in the fall (i.e., in September or October) to reflect adjustments relating to state funding, enrollment, and other needs.

Multiyear Financial Projections (MYP)

At a minimum, the School's MYP shall project revenues and expenditures into the two subsequent fiscal years.

Reserves

The School shall maintain prudent level of budgetary reserves for economic uncertainties and is needed to manage cash flow and help protect the School from unforeseen revenue shortfalls, unexpected costs, and economic uncertainties. Budgetary reserves shall be maintained to help the School save for large purchases and reduce the cost of borrowing money. The School shall adopt a minimum cash reserve of 35% of the total of all budgeted expenditures.

Audit

The School shall comply with federal and state assurances and requirements for principal apportionment certification, after-school education, facility grants, instructional minutes, state instructional standards, and other entitlement or grant funds. The state compliance requirements can be found in Standards and Procedures for Audits of California TK-12 Local Education Agencies, which is published by the EAAP and is updated annually. The Director of Finance and Operations shall annually visit the EAAP web site at www.eaap.ca.gov and obtain a copy of the then-operative state compliance requirements and the audit procedures. This information is critical to ensure the School's compliance with funding requirements before the annual audit and thus avoid audit findings.

An annual audit by an outside firm shall be performed each year on the close of the prior year's books. The audit shall be performed in advance of the December 15 statutory audit deadline. The audit shall include, but not be limited to, (1) an audit of the accuracy of the School's financial

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statements, (2) an audit of the School's attendance accounting and revenue claims practices, and (3) an audit of the School's internal controls practices.

If the School receives over \$750,000 from federal sources, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars. The audit firm shall be on the State approved list of School auditors.

At the conclusion of the audit, the Director of Finance and Operations will review the audit with the Finance Committee and propose any changes necessary in operating procedures to comply with audit findings. The audit shall be reviewed by the Board and approved for submission to granting agency, California Department of Education, County Superintendent of Schools, and State Controller's Office by December 15 of each year.~~CSCE's authorizer.~~

Form 990 Federal Tax Return: The selected audit firm will prepare the Form 990 tax return and send a copy to the ~~S~~school staff responsible for the audit. The ~~S~~school staff will review and send a copy to the Board of ~~Directors Head of Schools~~ for its review and approval before filing. Once approved by the Board, the ~~S~~school will notify the audit firm who will then prepare the final return for filing.

Board Meetings

The Board shall review financial statements at periodic Board meetings. The Board shall also review and approve the First Interim, Second Interim, and Unaudited Actuals reports on an annual basis.

Conflict of Interest

~~The Charter School maintains a Conflict of Interest Code, which is incorporated by reference herein. All officers, directors, and employees are expected to review the same, and understand the prohibitions on conflicts of interest under Government Code Section 1090, the Political Reform Act, and the common law prohibition on conflicts of interest. Any Board member with a financial interest in a matter presented to the Board shall fully disclose such interest prior to Board discussion on the issue and shall recuse themselves from the discussion and voting on the matter. Additionally, †The Board shall maintain develop a separate more comprehensive policy on conflict of interest, hiring of relatives, and compliance with Government Code 1090 and the Fair Political Practices Act.~~

Payroll

New Employees: Requests for new employees shall be initiated by the Head of School and the Director of Finance and Operations and be consistent with the approved annual personnel budget. The Director of Finance and Operations shall handle the new hire and onboarding process, ensuring that personnel files are complete and forwarded to the School's~~CSCE's~~ back-office provider as appropriate. New employees shall complete an Application for Employment and all

necessary paperwork for payroll. New employees shall be fingerprinted and TB tested consistent with State law. Fingerprint and TB clearance must be received by the School before any employee may start work.

Employees shall accrue vacation and sick leave time based on the policy as outlined in the current Employee Handbook of the School. The Handbook shall be amended from time to time by the Board.

The School shall maintain position control systems that track positions, expressed as full-time equivalents (FTE). Position control shall be used as a budgeting tool, and to ensure that only authorized positions are filled and only appropriate personnel receive a payroll check. The School shall track personnel accurately.

The School's position control system shall establish checks and balances among personnel decisions, budgeted appropriations, and employee paychecks.

The School's position control system shall include the following features:

1. Have unique position control numbers for each position.
2. Contain only board-authorized positions.
3. Contain only valid, funded positions.
4. Provide timely and accurate information
5. Be used as a forecasting tool.
6. Be reconciled with the payroll, accounting, budget, and HR systems or modules.
7. Allow salary payments only to authorized positions.

The Director of Finance and Operations shall develop procedures to ensure accurate and timely preparation of timesheets for hourly employees.

Authorized timesheets shall be forwarded to the SchoolCSCCE's back-office provider according to the back-office provider's policies and procedures set forth separately. Payroll processing and payment shall take place according to the back-office provider's policies and procedures set forth separately.

Payroll registers shall be approved by the Director of Finance and Operations, as long as payments are consistent with approved At Will Agreements and the approved annual personnel budget.

Independent Contractors

The use of independent contractors is closely monitored so as not to vary from the rules of the Internal Revenue Code, and to comply with all applicable laws that govern the classification of workers in California as independent contractors for purposes of the California Labor Code, the Unemployment Insurance Code, and the Industrial Welfare Commission wage orders. The School shall only engage independent contractors if all of the following practices are followed:

- I. The expense is within the approved budget or separately approved by the Board;
- II. The contractor provides proof of adequate insurance and IRS form W-9;
- III. IRS rules are followed regarding classification of staff as contractors versus employees;

and

IV. The work is done under contract.

The School shall regularly review its relationships with independent contractors to determine if any should be reclassified.

Vendor Files

A file should be created and maintained for each vendor and used for significant or ongoing purchasing. The vendor files should be organized alphabetically and should include the following items, if applicable:

- IRS W-9 Request for Taxpayer Identification Number and Certification
- Legal contracts, dealer or marketing agreements, and other such documents.
- Long-term purchase order commitments.
- Proof of insurance (certificates of insurance may be necessary for some services such as consulting).
- Any other relevant correspondence or documentation.

A Form 1099 must be completed for all contractors with reportable services of \$600 or more that are not incorporated, and for all lawyers regardless of whether they are incorporated.

Capitalization and Depreciation

The School will capitalize and depreciate all assets costing \$5,000.00 or more. All other assets are charged to expense in the year incurred.

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

- Leasehold Improvement – Lease term or 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 in the year.

Disposal of Surplus Property and Donations

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

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

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

Property Acquired with Federal Grant Funds

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

Grant and Donation Revenue

All major types of revenue (e.g., grants, donations, state apportionment, and special education revenue) shall be recognized and accounted for separately. The School shall adhere to all statutory requirements or other restrictions related to the same. Donations and grants may include donor-imposed or contractual requirements or conditions that must be met before the revenue can be recognized or earned. All such requirements or conditions should be monitored to ensure the requirements are met. Any revenue that has not met the requirements or conditions should be considered a liability and is often categorized as unearned revenue.

Grant income is recognized as income when it is received. Charter School-related grants are frequently awarded on a cost-reimbursement basis or as advances against services to be performed. Revenue is based either on allowable costs incurred, such as with cost reimbursement awards, or on other terms of the award such as a fixed price or unit of service. The types of grant income the School usually receives are education payments, and federal, state and local grants and contracts with various compliance requirements. At fiscal year end, grant income that has been incurred but not yet received should be accrued to comply with generally accepted accounting principles (GAAP). Donations shall be recognized as income when received, unless accompanied by restrictions or conditions.

The School shall recognize donation income in the period in which the contribution is received unless it is restricted. Donation income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on whether the donation has any restrictions.

Unconditional promises to give shall be recorded as assets, such as a receivable. When the promise is received, contribution revenue is recognized and is considered a temporarily restricted net asset. Unconditional promises to give that are to be collected within one year shall be recorded at the promise's face value, less any reserve for uncollectible/uncollectable promises, as estimated by the Director of Finance and Operations.

Unconditional promises to give that are collectible over more than one year shall be recorded at their discounted net present value. The interest rate used when calculating net present value of an unconditional promise to give shall be the risk-free rate of return available to the School when the promise was received.

When all restrictions associated with a donated asset have been met, the business office shall record a change in classification of the asset from temporarily restricted to unrestricted net assets.

Conditional promises to give are donations that the donor will give to the School only when certain conditions are met. Conditional promises should not be recorded in the accounting records until all conditions are met. If the School receives a donation under conditional promises, the money or asset received is subject to being returned to the donor until the condition is met or until the donor waives it.

If a School has unconditional or conditional promises to give, it should work closely with its auditor to ensure proper accounting.

Receipts and Disclosures

For every contribution it receives, whether cash or goods, with a fair market value of \$250 or more, the School shall provide a receipt to the donor. ~~The business office or Director of Finance and Operations shall prepare the receipt and present it to the Board of Directors for acceptance before depositing any donated funds or using any donated items.~~ The donation receipt should contain as much information as possible to identify the donor and the donated cash, merchandise or services. All donations should be acknowledged with a contemporaneous donation acknowledgment letter. The law does not allow IRC 501(c)(3) nonprofit organizations to provide a donor with the estimated dollar value of an in-kind gift. In-kind donations can be stocks, vehicles, art, or other assets. Valuations of in-kind donations are the responsibility of the donor, and donors should have their donated items professionally assessed and certified by a professional to obtain an accurate fair market value.

Grant and Entitlement Financial Reports

Virtually all federal, state, and local funding sources have specific and unique requirements regarding financial and programmatic reporting and use, including expenditure and reporting deadlines, periods (e.g., annual or quarterly basis), and data requests (e.g., financials by major expenditure category, by allowable use category, etc.) The business office shall create a calendar with all relevant financial reporting deadlines to identify and share with all responsible parties. The School's procedures and calendar should allow for review and approval as needed by the Board of Directors, chartering authority, or other entity (e.g., SELPA, JPA, or consortium) prior to submission to the grantor agency.

School administration, including but not limited to the business office staff, shall understand fully the reporting and programmatic requirements of all grant and entitlement funding sources to mitigate financial risk to the organization due to noncompliance.

Board Member Expense Reimbursement

Board members may be reimbursed for expenses incurred in the course of their corporate duties and shall comply with the employee reimbursement provisions stated herein. ~~, including but not limited to local mileage and tolls at the IRS rate for participation in Board meetings, other meetings and visits to the school on official business, and attendance at conferences authorized~~

Community School for Creative Education
Financial Policies and Procedures
Board Policy #3100

Date Board
Approval:1/24/2012
Date Last Amended: 9/11/2023

~~by the Board. Board members shall submit itemized expense reports with the stated corporate purpose of each expense and receipts or statements, as available, to the school administration for approval not more frequently than monthly or less than quarterly.~~

Leadership Stipends/Extra Compensation

~~Additional compensation outside of the board approved employment agreement that is to be paid to the Head of School or Director of Finance and & Operations must be approved prior to adding such compensation to payroll. Any aAdditional compensation up to \$5,000 must be approved by and signed off on by the Board Chair and the Vice Chair. Additional compensation in the amount of \$5,001 and above must be brought before the CSCS Board of Directors and must be voted on and approved in a regular Board public meeting prior to payment. Approval of additional compensation shall comply with all applicable legal requirements including, the establishment the rebuttable presumption of reasonable compensation and the Nonprofit Integrity Act (26 CFR § 53.4958-6(c); Govt. Code §12586(g).)~~