



Friendship Aspire Academy

Grades K-12

Financial Management Policy

2020-2021

BACKGROUND

This Accounting Procedures Manual serves as the official document for the accounting and administrative functions conducted by Friendship Aspire Academy (the “School”). This manual is a living document that can and will be updated as regulations or the Board deems it necessary. The manual provides detailed information on the accounting policies of the School and the administration of various grants and contracts. The manual should be used in conjunction with, and referenced to, the School’s current employee handbook, job descriptions and other policy manuals maintained by the School. This manual contains the essential fiscal policies and procedures of the School, as of the date listed on the cover page. From time to time, as additional matters require or changes to this manual are appropriate, management with the approval of the Board of Directors shall amend this manual.

ACCOUNTING SYSTEM

METHOD OF ACCOUNTING

Policy: The School shall use the accrual system of accounting. When required, reports shall be provided to tax authorities and grantors using the accrual method of accounting (unless specified by the grant).

Procedure: The School shall adhere to all generally accepted accounting procedures on an accrual basis. Reports to the IRS, other tax authority and grantors shall be completed by the School or an independent accounting firm selected by the School, and shall be submitted to the relevant party by the School.

BOOKS OF ACCOUNT

Policy: The School shall maintain a general ledger that includes the tracking of cash receipts and disbursements.

Procedure: The financial staff of the School or designated consultants (collectively, the “Finance Team”) shall maintain all books of accounts.

CHART OF ACCOUNTS

Policy: A corporate Chart of Accounts which accurately reflects budget categories and provides information about the School's finances shall be developed by the Finance Team with guidance from accounting professionals selected by the School, reviewed periodically, and modified as needed.

Procedure: The School shall record revenues and expenses according to the chart of accounts.

CAPITALIZATION & DEPRECIATION

Policy: The School shall maintain several capital accounts and one or more associated depreciation and accumulated depreciation accounts to correspond to the classification needs of the School.

Procedure: All capital purchases shall be approved the Executive Director/Superintendent, the department managers or their designees. Items purchased in excess of \$1,000 and lasting more than one year shall be capitalized and depreciated over their useful life, as outlined in generally accepted accounting procedures. In order to be capitalized, each item would have to be over \$1,000. As such, groups of smaller items that total over \$1,000 shall not be capitalized. Purchases that are under \$1,000 or have a useful life of under 1-year shall be expensed. There is one exception to this rule: Significant purchases of items (a single invoice or set of related invoices totaling over \$5,000) that are for sets of items under \$1,000 may be capitalized at the discretion of the Executive Director/Superintendent or Finance Team. An example of this scenario would be if the School purchases 25 new computers for a school that it is working with at a cost of \$10,000. In this case, even though the individual computers are \$400 each, the School can choose to capitalize the cost of the computers since the aggregate cost is over \$5,000.

Depreciation shall be recorded in the accounting books on a straight line basis beginning the month after the item was purchased. The depreciation entries shall be made either monthly or quarterly. A schedule or electronic tracking system shall be kept summarizing all current fixed assets, their purchase price, accumulated depreciation and book value. This schedule shall be updated on a regular basis.

Disposition, such as sale, loan or gift, of property valued above \$2,500 shall require the approval of the Executive Director/Superintendent or their designee. Disposing of other fixed assets shall be approved by the employee using the assets or the respective department manager.

FINANCIAL STATEMENTS

Policy: Financial statements shall be prepared by the Finance Team, reviewed by the Executive Director/Superintendent, and shall be made available for review by the Board of Directors.

Procedure: The Finance Team shall ensure that balance sheets, statements of revenues and expenses, and cash flow projection reports are prepared in a timely and accurate manner. These statements shall include a comparison between budget and actual expenses, and shall be regularly reviewed by an officer of the School. Financial reports will be presented at Board of Directors meetings on a periodic basis. In addition, financial information will be reviewed with the Executive Director/Superintendent or their designee on a regular basis.

CASH MANAGEMENT

BANK ACCOUNTS MANAGEMENT: OPENING/CLOSING ACCOUNTS

Policy: Board Resolutions are required to open bank checking accounts. The resolution shall

describe the purpose of the account, signatories and signatories' authority.

Procedure: The Executive Director/Superintendent shall secure any necessary board resolutions to open a School bank checking account. The Treasurer or Chairperson of the National Board may approve the opening of a bank savings account so long as the signers are all signers on a School's checking account. If there are new signers to be added to a new bank savings account, the Executive Director/Superintendent shall secure any necessary board resolutions normally required to open a School bank account. The Treasurer or Chairperson of the National Board may approve the closing of a bank checking or savings account.

BANK ACCOUNTS MANAGEMENT: ISSUING/SIGNING CHECKS

Policy: Check signing procedures as established by the Board shall be adhered to by the staff.

Procedure: School checks shall be approved and signed by the National Board authorized check signers. Electronic approvals by an authorized signer via a bank online payment system or a physical signature on the check shall be accepted as meeting the requirement of being signed by an authorized check signer. In general, checks shall be prepared for signature (or inputted into the bank's online payment system) by the Finance Team. The check preparer shall not have check signing authority or withdrawal authority. Voided checks shall be retained to insure proper maintenance of checking account records.

- Checks under \$25,000 shall be signed/electronically approved by one signatory. In addition, checks related to recurring expenses such as insurance that are over \$25,000 but less than \$50,000 may be signed by one signer without a second approval.
- Checks in excess of \$25,000 shall be approved by a second signer via email, signature on the check, signature on the invoice or reasonably similar means.
- Checks over \$50,000 shall be approved by the Board of Directors. This approval may come during a Board of Directors meeting or via email approval by a majority of the members of the Board.

The Finance Team may make payments via third party vendor payment systems as long as an authorized signer approves the payment prior to the funds being sent. For recurring payments an authorized signer may approve such payments annually rather than approving each monthly payment so long as the payments made are below the amounts approved. For example, the Executive Director/Superintendent may approve up to \$5000 monthly for the School's internet access payments to Time Warner Cable and then a recurring payment may be set up within Time Warner Cable's online payment system for an amount up to \$5000 without further approval. The Finance Team shall attach a copy of the approval with each invoice before filing.

Transfers between bank accounts may be done by the Finance Team as part of its cash management responsibility without the approval of a signer so long as the accounts all belong to the School.

MAIL MANAGEMENT: INCOMING CHECKS

Policy: All incoming mail shall be opened and distributed. All checks shall be given to the Finance Team or Operations staff for deposit.

Procedure: All incoming mail shall be opened and distributed by the Secretary/Office Manager, Operations Manager, or other designated employee (except for all bank records which shall be opened by someone other than a person creating or signing the checks). All checks shall be given to the Finance Team, Operations Manager or their designee for depositing.

BANK ACCOUNT DEPOSITS

Policy: Cash and checks shall be deposited periodically.

Procedures: Cash received shall be counted by the receiver and given to the Finance Team or Operations Manager at the School. All monies are to be stored by the Finance Team, Operations Manager or their designee in a secure location, separated by the account to which it is to be deposited. All checks received shall be filed with the cash in the secure location until being deposited. All check shall be stamped as for deposit only.

On a periodic basis, the Finance Team, Operations Manager or their designee will then count all of the money for each account and fill out deposit slips to include cash and checks to be deposited into the same account. A copy of each check over \$100 shall be attached to a copy of the deposit slip or deposit receipt and shall be filed and used for reconciliation of the bank statement.

BANK ACCOUNT RECONCILIATION

Policy: Reconciliation of each bank account shall be completed on a monthly basis.

Procedures: Bank statements shall be received, opened and reviewed by a designated person other than the people writing or signing checks (or entering or approving checks in an online banking system). Subsequently, the Finance Team of the School shall complete the necessary reconciliations.

PETTY CASH

Policy: The School may maintain a petty cash fund used for reimbursements to employees for pre-approved out-of-pocket School related expenses less than \$200 and for pre-approved purchases or School expenses.

Procedure: The Petty Cash fund shall be maintained by a "custodian" who will be responsible for monies in the petty cash fund and filing an approved petty cash replenishment request. The Finance Team shall verify all receipts as required for all requested reimbursements. The Finance Team shall approve replenishments to the petty cash fund.

INVESTMENT POLICIES

Policy: The School's temporary investments shall be invested only in a money market account or bank savings account. Long term investments or endowments shall be invested according to the donors' intent or Board designation.

Procedure: The Finance Team shall invest and withdraw The School's short-term investment funds from a money market account established for such investment purpose at the National Director of the Board Treasurer. Other long-term investments shall be administered by the Finance Team with approval from the National Board of Directors.

BORROWING FUNDS

Policy: The National Board of Directors shall approve the initial setting up of all bank lines of credit, any increases in such lines of credit or any other initial bank loans or increases. The National Board of Directors shall approve any other debt instruments in excess of \$50,000.

Procedure: Based on annual audits, financial statements, and cash flow projections, the Executive Director/Superintendent or Finance Team may establish credit lines and borrowing limits with the approval of the National Board of Directors. The Finance Team shall alert the Executive Director/Superintendent if lines of credit or borrowing limits are not adequate to meet the needs of the organization. The Executive Director/Superintendent may authorize the amending of the lines of credit or borrowing limits with the approval of the National Board of Directors. Email approval from a majority of the National Board shall meet the approval requirements of lines of credit needed for general operations. Other bank loans shall be approved in a similar manner.

The National Board of Directors shall approve any other debt instruments with principal in excess of \$50,000. Such instruments include facility financings, long-term debt, equipment loans, etc. Email approval from a majority of the Board shall meet the approval requirements of equipment loans or other financings needed for general operations.

REVENUE & ACCOUNTS RECEIVABLE

REVENUE RECOGNITION

Policy: Revenue will be recognized on an accrual basis when it is both earned and collectible.

Procedures: *Revenues from unrestricted philanthropic contributions* will be considered earned and collectible once a pledge has been made in writing and the Executive Director/Superintendent is confident (over 75% chance) that the cash will be received. *Revenues from restricted philanthropic contributions* will also be considered earned and collectible once a pledge has been made in writing and the Executive Director/Superintendent is confident (over 75% chance) that the cash will be received. In accordance with SFAS No. 116, contributions with donor-imposed restrictions are reported as restricted revenue, which increase either permanently restricted or temporarily restricted net assets. As restrictions are fulfilled or the stipulated time period for the restriction has expired, the amount shall be reclassified to

unrestricted net assets. Restricted contributions whose restrictions are met in the same reporting period as they are made shall be reported as unrestricted support. If a pledge is conditioned on the occurrence or nonoccurrence of a future, uncertain event, revenue is not recognized until that condition is substantially fulfilled by the event's occurrence or nonoccurrence.

BEQUESTS AND CONTRIBUTIONS

Policy: Non-restricted bequests and contributions shall be used for operations or special projects as designated and approved by the Executive Director/Superintendent, consistent with any restrictions set forth by the Board of Directors. Bequests and contributions that are donor restricted shall be used for the purpose articulated by the Donor.

Procedure: All contributions shall be recorded according to their designation and their use tracked by restriction. The Executive Director/Superintendent shall designate the use of unrestricted bequests and contributions.

HONORARIUMS

Policy: Honoraria received by staff while on School business or School time shall be the property of The School.

Procedure: Staff shall request that any anticipated honoraria be made payable to The School, and any honoraria received by staff in any form shall be the property of The School.

REVENUE ACCOUNTING

Policy: Revenue will be recorded monthly in the accounting books of The School.

Procedure: *Revenues from unrestricted & restricted philanthropic contributions* shall be recorded in full once the written pledge is received and the Executive Director/Superintendent approves it as collectible. Any pledges with payments more than 1 year into the future will be discounted at a reasonable rate based on prevailing inflation rates. A year-to-date adjustment shall be made at least annually to account for any changes in the discount amount. All revenues shall be recorded in the financial software according to the proper categories. Backup for the assumptions for each revenue stream shall be retained in a paper or electronic form. Donations, undocumented pledges, interest and other similar revenue streams shall be recorded on a cash basis when the cash is deposited. However, at the end of the fiscal year an adjustment may be made for all donations mailed by the donor but not deposited by the end of the fiscal year.

GRANT MANAGEMENT

Policy: All costs reported to funders are reconciled to the books and records prior to submission. Each restricted private donation/government grant provides specific contract compliance guidelines to which the School is held accountable. Federal funding guidelines are based on the stipulations provided by certain circulars issued by the United States Office of Management and Budget (OMB Circular A-110 and A-122). These circulars outline the basic principles that indicate the allowability of costs and hence form an integral part of the School's reference documents when carrying out programs funded by federal agencies. In certain circumstances the

funders will provide their specific reference guides, which incorporate these federal circulars or other requirements. In other cases, the Finance Team must refer to these circulars directly in determining the allowability of certain federal costs.

ACCOUNTS RECEIVABLE

Policy: The School shall fill out all required documentation to seek payment for all accounts receivable in accordance with the terms of the grant, revenue funding rules or philanthropic commitment.

Procedure: Accounts receivable shall be maintained by the Finance Team of the School who shall work with the Executive Director/Superintendent or their designee to ensure timely payment. Documentation for spending for restricted grants shall be maintained either in a paper or electronic form. This includes grant proposals, award information, written pledges, spending detail, invoices (if applicable) and other necessary documentation. Subsequent receipts shall be deposited with copies of such receipts retained. Copies of deposited checks shall be attached to deposit slips or deposit receipts and filed with the bank records. All receipts shall be reported to the Finance Team and deposited in accordance with the bank account deposits section above. All cash and check receipts shall be recorded in the accounting system as a reduction in the related accounts receivable when deposited. All electronic payment receipts shall be recorded either when known or when the bank statement is received.

RESERVES FOR BAD DEBT

Policy: Accounts receivable balances shall be evaluated periodically to verify that each item is still collectible.

Procedure: The Finance Team shall prepare a schedule periodically of outstanding accounts receivable balances. This schedule shall be available to the Executive Director/Superintendent for review. The Executive Director/Superintendent and Finance Team will then determine if any reserve for bad debt is needed. The accounting ledger shall then be adjusted to account for any reserve adjustments. The accounts receivable schedule shall be maintained in either an electronic or paper form.

PERSONNEL

NEW HIRE

Policy: All new positions need to be approved by the Executive Director/Superintendent. All hires need to be approved by the Executive Director/Superintendent, the department manager, or their designees and have the appropriate paperwork completed.

Procedures: All new hires need to be approved by the Executive Director/Superintendent, the department manager or their designees, who shall confirm budget availability with the Finance Team. Once an offer is made, the human resources team (or the recruiting person or operations staff) is responsible for assembling all of the required paperwork for each new employee. This

paperwork includes a signed employment offer letter, completed W4, completed I9, copy of the required identification (ex: driver's license and social security card, or passport), criminal background check, direct deposit forms and any other new hire forms.

PAYROLL CHANGES

Policy: All salary changes need to be approved by the Executive Director/Superintendent or their designee and the Finance Team.

Procedures: All salary changes and significant personnel changes need to be approved by the Executive Director/Superintendent or their designee and the Finance Team either electronically or in writing. A summary of all significant payroll changes shall be submitted to the Executive Director/Superintendent or their designee for approval as part of the regular payroll processing cycle.

TERMINATION

Policy: Employees that are terminated or leave the School will be paid out in the pay period following their termination date in accordance with the payroll processing deadline.

Procedure: The human resources team (or the operations staff or Executive Director/Superintendent) will notify the Finance Team whenever someone is terminated and about any special payment agreements (if applicable). The Finance Team will then calculate a final paycheck based on how much is owed to the employee. All termination payments will be paid in accordance with the standard payroll calendar, subject to applicable laws and regulations. The Executive Director/Superintendent and human resources team has the option of requesting the issuance of a live check instead of a direct deposit for this last check if needed to ensure the return of School property or for other reasonable reasons.

Policy: Employees that are terminated will follow the separation process guidelines.

Procedure: Once separation has been determined between an employee and the human resources team will begin the separation process in accordance with School procedures. This includes the return of equipment, processing the final paycheck, and an exit interview and survey.

PAYROLL MAINTENANCE

Policy: The School outsources its payroll processing to a third party payroll processor. All new hire or changes submitted prior to the deadline for such paperwork needs to be entered into the third party processor's system.

Procedures: All new hire paperwork (or a summary of necessary information), approved payroll changes and terminations and benefit changes shall be collected by the human resources team (or the recruiting person or operations staff) and provided to the Finance Team for processing. Any paperwork received by the payroll processing deadline shall be entered into the third party payroll processing software for the respective pay period. If the required paperwork is submitted after the deadline, the Finance Team will endeavor to enter it into the payroll processing software

before its deadline, but depending on the timing it may need to be entered for the following payroll.

CALCULATION OF STANDARD PAY

Policy: All employees' gross pay for each paycheck will be based on standard guidelines.

Procedures: The School pays employees twice a month (typically the 15th and the 30th of the month). There are three different types of situations for standard pay: continuing full-time employees, new hire full-time employees, and terminated full-time employees.

Continuing Full-Time Employees: For continuing full-time employees, employees are paid their standard pay which is equal to their annual salary (excluding bonuses or one time stipends, if applicable) divided by 24 pays. For example, if someone's annual salary is \$48,000, they would be paid $\$48,000 / 24 = \$2,000$ per paycheck.

New Hire Full-Time Employees: If a full-time employee starts mid-period, the first paycheck will be for the number of calendar days left in the payroll divided by the total number of calendar days in the payroll times their standard pay. For example, if an employee's offer letter is effective November 7, 2013, their annual salary is \$48,000, and the first paycheck of November covers November 1-November 15, the employee would be paid for 9 days (11/7, 11/8, 11/9, 11/10, 11/11, 11/12, 11/13, 11/14 and 11/15) out of 15 days or \$1,200 ($9/15 \times \$48,000/24$). If an employee's paperwork is completed before the deadline for the pay period in which they start, the employee will be paid their prorated salary for that first pay period. If an employee's paperwork is completed after the deadline for the pay period in which they start, then their first paycheck will be issued the following pay period (assuming the employee's paperwork is completed by that pay period's paperwork deadline). The first paycheck will include any retroactively owed monies, as applicable. For example, if an employee's offer letter is effective September 10, 2013 and the paperwork is completed September 9, 2013, their annual salary is \$48,000, and the first paycheck of September covers September 1-September 15, the employee would be paid for 6 days (9/10, 9/11, 9/12, 9/13, 9/14, 9/15) out of 15 days or \$800 ($6/15 \times \$48,000/24$) plus a full standard pay of \$2,000 for a total of \$2,800 on September 30, 2013.

Terminated Full-Time Employees: If a full-time employee leaves mid-period, the last paycheck will be for the number of calendar days in the payroll period up to and including the effective date of the resignation divided by the total number of calendar days in the payroll. For example, if an employee resigns as of October 25, 2013, their annual salary is \$48,000, and the second paycheck of October covers October 16-October 31, the employee would be paid for 10 days (10/16, 10/17, 10/18, 10/19, 10/20, 10/21, 10/22, 10/23, 10/24, 10/25) out of 16 days or \$1,250 ($10/16 \times \$48,000/24$).

For example if Jennifer, a marketing assistant is making \$20/hour works the following hours in March 2013: March 4: 4 hours; March 11: 5 hours; March 18: 3.5 hours; March 25: 4.5 hours, she will be paid \$80 (4 hours @ \$20/hour) on the March 15th paycheck, \$170 (5 hours + 3.5 hours @ \$20/hour) on the March 31st paycheck and \$90 (4.5 hours @ \$20/hour) on the April 15th paycheck.

BONUSES & OTHER PAY

Policy: Bonuses will be paid based on a combination of each employee's agreed upon eligible amounts, their performance and potentially other items such as School performance. Stipends shall be approved prior to the payment.

Procedure: Some employees may be eligible for a merit bonus based on the individual's and School's performance. Merit bonuses are not guaranteed. All merit bonuses need to be approved by the Executive Director/Superintendent or their designee prior to being paid. Any bonus for the Executive Director/Superintendent needs to be approved by the Treasurer or Chairperson of the National Board. Once approved, they shall be included in the employee's income for the selected payroll.

From time to time an employee may be paid a one-time stipend for performing additional functions. Such stipends shall be approved by the department manager or Executive Director/Superintendent prior to their payment.

In addition, annual stipends or stipends paid over a period of time may be included in an employee's offer letter. Stipends like these that are included in an employee's offer letter shall be added to the standard pay in an employee's semi-monthly pay by the Finance Team.

A deferred compensation program may be maintained by The School in accordance with IRS and personnel policies. Deferred compensation investment payments shall be transmitted to the appropriate investment School to be received by the appropriate day.

PAYROLL DEDUCTIONS

Policy: Deductions will be made each payroll based on employee elections and state and federal regulations, including mandated garnishments.

Procedure: Employee benefit deductions such as medical, dental, and retirement contributions are calculated by the human resources department and sent to the Finance Team. The Finance Team will input deductions into the third party payroll system. The source documents for such deductions are benefit election forms or the rules set forth by the appropriate benefit system. The Finance Team will process any garnishments from the appropriate state agencies directly into the third party payroll system. Benefits deductions are verified periodically by human resources and the Finance Team to mitigate any errors.

PAYROLL PROCESS

Policy: The School's Finance Team will ensure that the semi-monthly payroll is approved and processed.

Procedure: The School's Finance Team with support from The School's operations team, Executive Director/Superintendent and human resources team, are tasked with processing payroll. All salaried employees shall be paid by direct deposit (or live check) on or about the 15th and 30th of each month over 12 months of the year. Hourly employees will be paid for the appropriate period as described in the *Calculation of Standard Pay* section above. The School currently uses a third party payroll processing service to process its payroll.

Currently salaried employees are not required to submit timesheets. Instead, salaried employees are expected to inform both their manager and human resources team (or operations team) anytime they need to be out of school and the type of day claimed (i.e. personal, sick, vacation, etc.). The human resources team (or operations team) is then in charge of verifying whether employees need to have their salaries docked for excessive absences and providing this information to the Finance Team.

The School's Finance Team is tasked with compiling a spreadsheet with information on amounts to be paid for all salaried employees. This includes confirming if any salaried employee needs to be docked salary because of excessive days off. The School's Finance Team is also tasked with compiling the hours for all hourly employees and including that information on the same spreadsheet. This information is typically provided to the Finance Team from The School operations staff, department managers or human resources team. Once this is complete, the information shall be made available to the Executive Director/Superintendent or their designee, the finance manager and the human resources department for review. In addition, the Finance Team shall compile a summary of significant changes (such as new hires) for review and approval by the Executive Director/Superintendent or their designee, human resources and the finance manager. Once approved, the payroll information shall be transmitted to the third party payroll processor for processing.

Once processed, the third party payroll processor sends the School a set of payroll reports, checks and check stubs (or posts the check stub information to an online viewing portal). The Finance Team shall compare the payroll totals to the information approved by the Executive Director/Superintendent. The checks/check stubs shall be mailed to employees or handed out to the employees by the operation team and the third party payroll provider reports shall be retained by the Finance Team. The Finance Team will then perform the functions in the payroll accounting section.

Human resources personnel shall review the third party payroll reports along with the summary spreadsheet and approval information periodically as an additional control.

PAYROLL ACCOUNTING

Policy: The payroll amounts shall be recorded in the accounting books of the School within a reasonable time period.

Procedure: The Finance Team is responsible for entering the payroll entry into the School's accounting system. The accounting entry for salaries and related taxes should be booked separately for each payroll. The entry can be inputted into the ledger either during the month or as a month end entry.

A payroll entry template should be set up to automate the payroll entry process. For each payroll, this template should include space for each paid persons' name, compensation, and account codes that the compensation is being allocated. The School currently allocates taxes and benefits on a percentage basis. For example, if salaries for Department A represent 10% of the total salaries for a pay period, then 10% of the FICA expense will be coded to Department A. The allocation methodology may be adjusted as needed so long as the adjusted methodology is a reasonable way of allocating benefit costs to each department. The Finance Team is responsible for filling out the template for each pay period, verifying the coding on individuals, verifying that the actual cash sent to the third party payroll processor matches what the entry generates, verifying that the entry balances, and verifying other needed information. Once everything is confirmed, the Finance Team is responsible for entering the associated entry into the accounting system of the School. Alternatively, the School may choose to use an accounting module within the third party payroll processor in which data (such as coding) is entered into the payroll processor's system prior to completing the payroll and then the payroll provider creates the accounting entry to be entered into the School's accounting records by the Finance Team.

In addition to the normal semi-monthly payments, the School shall accrue amounts for services performed but not paid for. Some employees may be eligible for merit bonus payments related to the work performed during the fiscal year. To the extent the merit bonuses are likely to be paid out after the end of the fiscal year but relate to work performed during the School's fiscal year, an accrual is needed to account for this expense. The School may accrue for projected bonus payments evenly throughout the year (1/12th of the budgeted amount each month), at the end of June as a year-end entry, or using another reasonable methodology. Because of the timing of the fiscal year end closing process versus when bonuses are paid, it may be difficult to adjust the estimated bonus amounts to the final amounts that will be paid prior to the accounting close. As such, an adjusting entry may be necessary in the following fiscal year to the extent that the projected bonus amounts differ from the actual bonus amounts paid.

PAYROLL RECONCILIATION

Policy: A reconciliation between the third party processor's payroll information and the accounting data in the School's accounting books shall be completed periodically to ensure the proper accounting for payroll transactions.

Procedure: A payroll reconciliation shall be completed at least quarterly to ensure that the accounting system reflects the true amounts paid via the third party processor. This should be completed by the Finance Team using a standard payroll reconciliation template. In addition, the Finance Team should complete a reconciliation of the quarterly 941 federal tax filings with the payroll data to reduce the risk of unidentified errors. These reconciliations should be retained in preparation for the School's annual financial audit.

PERSONNEL LEAVE

Policy: The School shall accrue unused vacation, paid time off or similar time for personnel, to the extent the employee handbook requires the payout to employees for such time.

Procedure: The human resources team (or the operations team) will keep track of unused time by category included in the employee handbook. On an annual basis (or more often if needed) the Finance Team will calculate the amount potentially owed per employee for any unused vacation, paid time off or similar time that the School is required to payout (if any). The School shall accrue such amounts to the extent the employee handbook requires for the payout to employees for such time.

OTHER THAN PERSONNEL

PROCUREMENT

Policy: Orders shall be approved prior to committing the School to spend funds.

Procedure: Other than personnel expenditures can be separated into a few main buckets: Recurring payments, contracted services, day-to-day purchases and expense reimbursements. Recurring payments include items such as rent, copier rentals, internet access, telecommunications, electric and other standard services. Recurring payments shall be pre-approved by the Executive Director/Superintendent or their designee at the beginning of the year based on the projected amount to be spent throughout the year. This pre-approval is evidenced by the School's approved budget for the year. If recurring payments change during the year, then these shall be approved via a change in the School's full year forecast during the budget review process.

Contracted services include items such as independent contractors, recruiting agencies, business consultants and other entities that have a contracted amount to be paid (could be a fixed dollar or hourly amount) for specific services to be rendered. Contracted services should be approved prior to the contract being signed, with the contract representing the approval to spend such funds.

Day to day purchases include items like supplies, curriculum materials, custodial supplies and other items that are needed in the ordinary course of business. Day to day purchases are to be approved by the manager (Executive Director/Superintendent, department manager or their designees) prior to any ordering occurring. As a control, the Finance Team may review any questionable charges with the Executive Director/Superintendent or department manager as part of the periodic budget review process or at any other point.

Expense reimbursements include items such as travel, hotels and other items purchased by individual employees, potential employees or through corporate credit cards. The procedures for these are described under the *staff and travel expenses* and *credit card* sections below.

REQUIRED COMPETITION

The School utilizes the following procurement guidelines:

- Contracts/Purchases under \$5,000: The School shall use sound business practices when procuring goods and services for amounts less than \$5,000.
- Contracts/Purchases over \$5,000: The School shall seek price quotes from at least three vendors (web based quotes are acceptable) and award the contract to, or purchase the goods from, the vendor offering the supply or service needed for the lowest price while meeting the quality needs of the School.
- If required by applicable law the School shall conduct a formal advertised competition (advertised may be via a publication or direct contact with potential vendors) using sealed bids or proposals. The School shall select the vendor best able to meet the criteria described in the advertised competition. Such criteria shall include price, but may also include other criteria, such as quality or speed, that are integral to the good or service being requested.

INVOICES & PAYMENTS

Policy: The School, whenever practical, shall pay invoices when due, unless alternative arrangements have been made with vendors, or unless a dispute arises.

Procedure: Accounts payable shall be maintained by the Finance Team of the School who shall ensure timely payment. The Finance Team shall maintain an Accounts Payable aging schedule. All incoming invoices shall be placed in a "to be recorded" section. Subsequently, on a periodic basis, all invoices shall be recorded in the School's accounting software by the Finance Team. The Finance Team or operations staff will research items that appear to be strange or inconsistent with historical information. This may include calling the vendor or working with people responsible for the purchase at the School. Invoices shall be approved by the Executive Director/Superintendent, Operations Manager, department managers or their designees. The operations staff shall code invoices, when appropriate. The Finance Team may use such coding or adjust it if needed.

Check approvals vary by the dollar amount as follows:

Checks under \$25,000 or recurring invoices under \$50,000: When a batch of checks are ready to be written, the Accounts Payable person will email/give the finance manager and Executive Director/Superintendent a summary of the checks requested and the related invoices (including information they found out in their research). The Accounts Payable person shall also enter the checks being requested into a third party payment system used by the School OR prepare checks for signature. The finance manager will review such invoices for reasonableness and budgetary compliance, question items that appear to be outside of the School's agreements or items that look questionable and, once satisfied, approve the invoices/checks. The Executive Director/Superintendent or other bank account signer will then release the checks in the third party payment system or sign the checks if they approve. The signature or check release will represent the approval of the Executive Director/Superintendent or other signer.

All checks between \$25,000 and \$50,000, other than those for recurring invoices require a second approval by a different signer on the bank account. Such approval can either be a second signature on the check or email approval. The Finance Team shall ensure that such second approval is received prior to releasing the check in the third party payment system or mailing

the check.

All checks over \$50,000 require the approval of the National Board of Directors prior to the release of the payment. Such approval may come in the form of an official vote in a Board meeting or through the email approval of a majority of the Board members.

Signatories (or third party system payment approvers) shall verify that the backup information is correct and reasonable before signing/releasing the check. Signed checks should then be given to the Finance Team or operations staff for mailing. The signed check along with identifying information (such as the account number or a vendor provided remittance form) shall be submitted to the appropriate entity.

CONTRACTS AND GRANTS

Policy: The execution of contracts and grants shall be within the scope of the School's mission, goals and plans.

Procedures: The School shall, whenever deemed appropriate, contract for work to be done on behalf of the School, or provide grants to any individual or organization to perform a function within the scope of the School's mission, goals, and plan. The School's leadership will work on a best efforts basis to procure contracts at the best available balance of price and quality.

STAFF AND TRAVEL EXPENSES

Policy: Staff shall be reimbursed for travel and related expenses that have been approved by the Executive Director/Superintendent, department manager or their designees, while on School business, according to established guidelines.

Procedures: All staff shall submit reimbursement forms to request reimbursement. Such forms shall be reviewed by the Finance Team for a) accuracy of computation; b) completeness of required receipts; c) manager approval (electronic approval is acceptable) and d) adherence to established guidelines. Typically staff shall be compensated within 30 days of submission of a complete and accurate form to the Finance Team or operations staff. Reimbursement requests from the Executive Director/Superintendent shall be approved by the Treasurer or Chairperson of the National Board.

CREDIT CARDS/DEBIT CARDS

Policy: The School may maintain corporate credit/debit cards which shall be issued to select members of the staff designated by the Executive Director/Superintendent. Such credit cards shall be used solely for School business. Purchases by staff must be approved by the Executive Director/Superintendent, department manager or their designees.

Procedure: Purchases by staff shall be approved by the Executive Director/Superintendent, department manager or their designee. All credit card account billing shall be directed to the Finance Team. The Finance Team shall inquire with the operations staff, Executive Director/Superintendent or other appropriate people about any charges in the credit card statements that appear to be questionable or need further details. The Finance Team shall also endeavor to collect as many receipts related to the statement charges as is practicable. In the event of termination of employment, staff shall be required to return any credit cards that have

been issued to them.

BUDGET MANAGEMENT

BUDGETING OF FUNDS

Policy: The National Board of Directors under the advisement of the Local Board shall approve an annual operating budget for the School. Any significant adjustments to the budget during the year shall be reviewed at regular Board meetings.

Procedure: The finance manager, Executive Director/Superintendent, department managers and certain other personnel shall develop the School's annual operating budget. Revenues shall be budgeted based on the best available information. Budgeted expenses shall be allocated in accordance with the School's chart of accounts. Personnel expenses shall be budgeted in detail, including, to the extent known, individual's names, positions and estimated salaries. Other than personnel expenses shall be budgeted based on the best available information including prior agreements and historical information, as well as projected changes to the program.

Policy: The School shall manage its budget throughout the year and make adjustments as needed

Procedure: The finance manager, Executive Director/Superintendent and department managers shall periodically review the School's budget versus actual spending. This review shall be based on reports generated by the Finance Team that give relevant accounting information. During the periodic meetings, changes shall be made to the School's full year forecast to account for any unplanned revenue changes, any unplanned new hires, terminations or other personnel changes, as well as any changes in line item other than personnel spending categories based on both year to date historical information and projected spending for the remainder of the year. The updated forecast shall be provided to the Board at least quarterly for their review and questions.

MISCELLANEOUS ITEMS

AUDITS, FINANCIAL REGULATORY FORMS

Policy: Independent audits, if required, shall be completed by an established accounting firm selected in the time frame required by applicable law. Financial regulatory forms shall be completed as necessary by the Finance Team, other School personnel or by its accounting firm.

Procedure: Appropriate financial forms and reports shall be filed with the federal government (including the Internal Revenue Service), appropriate state agencies and grantors. Upon completion, audits shall be reviewed by the finance manager, Executive Director/Superintendent and members of the National Board of Directors. All audits shall include a management letter.

INSURANCE

Policy: The School shall maintain appropriate insurance coverage.

Procedure: At a minimum, the following insurance shall be maintained: a) Commercial Package; b) Directors and Officers Liability; c) Mandated Short-term Disability; and d) Mandated Worker's Compensation. The School also shall contribute to the state Unemployment Insurance Fund according to applicable law.

RECORD RETENTION

Policy: The School shall retain records in accordance with applicable state and federal laws.

Procedure: All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service shall be retained for three years from the end of the fiscal year in which the records were originally prepared. Such records shall include accounting data, payroll details, quarterly payroll filings, financial audits, tax returns, and to the extent practical, vendor invoices. The School shall retain all records that it is required to retain based on applicable state and federal laws including those of the IRS.

DISASTER RECOVERY

Policy: The School shall have a backup system in case of a disaster.

Procedure: To reduce the risk of potential loss of property, as well as to minimize the interruption of operations, the system's accounting data must be backed up regularly to ensure the recoverability of financial information in case of a hardware failure.

The petty cash box, if there is petty cash, shall be secured by the custodian from unauthorized access in a locked location. Unused checks shall be secured by authorized personnel.

General Note: Unless specifically restricted by a clause in this manual, email approvals shall be considered to be an acceptable form of approval.