

# **FUTURE IS NOW PREPARATORY**

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## ***Financial Policies and Procedures Manual***



August 2020

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## **INTRODUCTION**

### **Purpose of Manual**

Future Is Now Preparatory Charter School (the “School”) is committed to developing and maintaining financial policies and procedures that ensure sound internal controls, fiscal responsibility, transparency and accountability in accordance with the generally accepted accounting principles (GAAP) practiced in the United States of America and the rules and regulations established by the Financial Accounting Standards Board (FASB). The School will follow all the relevant laws and regulations that govern charter schools within the County of Los Angeles and the State of California. As a nonprofit organization, the School is entrusted with funds granted by Federal, State, and City government agencies as well as Corporations, Philanthropic Foundations and Individual contributors. The policies and procedures outlined below will be part of the School’s system of internal controls designed to safeguard assets, promote operational efficiency, minimize waste, fraud and theft, and ensure accurate accounting data.

### **Financial Leadership and Management**

The financial management team of the School consists of:

- Board of Directors
- Board Chairperson
- Board Treasurer
- Finance Committee of the Board of Directors
- Principal
- Director of Operations
- School Office Manager
- Financial Consultants

The financial management team outlined above is accountable for fiscal oversight of the School. The financial management team will collectively work to make certain that all financial matters of the School are properly addressed with care, integrity, and accuracy in the best interest of the School.

### **Changes to the Financial Policies and Procedures Manual**

The financial policies and procedures manual (the “Manual”) establishes the policies and procedures for the fiscal and administrative functions conducted by the School. The School’s financial management team is responsible for periodically reviewing and revising the Manual as needed. The Board of Directors must approve all amendments to the Manual. Any violation of these policies and procedures is considered to be cause for termination or removal and, depending upon the nature of the infraction, civil and/or criminal prosecution.

## **Fiscal Year**

The fiscal year of the School is from July 1<sup>st</sup> to June 30<sup>th</sup>.

## **Annual Audit**

Each fiscal year an independent auditor will conduct an audit of the financial affairs of FIN Prep to verify the accuracy of the school's financial statements, attendance and enrollment accounting practices, and internal controls. The auditor shall be hired by the Board of Directors of the Charter School and shall be a Certified Public Accountant ("CPA") with relevant experience on charter school audits and on the State Controllers list of approved charter school auditors. The books and records of FIN Prep will be kept in accordance with generally accepted accounting principles, and as required by applicable law, the audit will employ generally accepted accounting procedures. The audit shall be conducted in accordance with applicable provisions within the California Code of Regulations governing audits of charter schools as published in the State Controller's K-12 Audit Guide. To the extent required under applicable federal law, the audit scope will be expanded to include items and processes specified in applicable Office of Management and Budget Circulars.

- The Board will appoint an Audit Committee by January 1 of each year.
- The Audit Committee may include persons who are not members of the Board, but may not include any the staff of the organization, including the CEO. In addition, any person with expenditure authorization or recording responsibilities within the organization may not serve on the committee.
- The Audit Committee will be responsible for identifying an audit firm from the State Controller's list of approved charter school auditors by March 1 of each year, unless the existing contract is a multi-year contract. To ensure auditor independence, audit firms will be rotated every five years. The Board hires the audit firm after the Audit Committee performs a rigid search and interview process.
- The Audit Committee will be responsible for reviewing the results of the annual audit and developing a corrective action plan to address all relevant weaknesses noted by the auditor, describing how the exceptions and deficiencies have been or will be resolved to the satisfaction of LACOE along with an anticipated timeline for the same.
- The audit shall include, but not be limited to:
  - a) An audit of the accuracy of the financial statements
  - b) An audit of the attendance accounting and revenue accuracy practices
  - c) An audit of the internal control practices
- The Board will review and approve the audit no later than December 15.

- The CEO will be responsible for submitting the audit to all reporting agencies including the County, the Los Angeles County Superintendent of Schools, the State Controller, and to the CDE no later than December 15 of each year.
- Audit appeals or requests for summary review shall be submitted to the Education Audit Appeals Panel (“EAAP”) in accordance with applicable law.

### **Other Audits**

Any audits performed by outside entities, such as the Office of the State Comptroller, shall be reviewed by School Leadership and Board of Directors. A corrective action plan will be developed, documented and monitored by School Leadership and the Board of Directors to address any resulting findings.

## **INTERNAL CONTROL STRUCTURE**

### **Background**

Internal controls have been established to provide reasonable assurance to achieve the following:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

The internal control structure is composed of the following basic elements: (1) the control environment; (2) the accounting system; (3) control procedures; and (4) the accounting cycle.

### **1. Internal Control Environment**

By implementing internal controls, the School establishes the importance of enforcing and maintaining accountability, transparency, and accuracy in its day-to-day financial transactions. Factors that impact the internal control environment can include school management and Board philosophy; organizational structure; ways of assigning authority and responsibility; methods of management and control; personnel policies and practices; and external influences such as significant donor expectations.

### **2. Accounting System**

The School has implemented an accounting system consisting of processes and documentation used to identify, compile, classify, record and report accounting transactions. These processes were established to: (1) identify and record all of the School’s fiscal transactions; (2) describe the transactions adequately, to allow proper classification for financial reporting, and (3) specify the time period in which transactions occurred, to record them in the proper accounting period.

### 3. Internal Control Procedures

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

**Segregation of Duties:** A hierarchical structure of authority and responsibility has been developed at the School. Tasks are divided and allocated to guard against one individual having the ability to make an accounting error (either knowingly or unknowingly). This protects the School from any potential fraud or misappropriation of funds. In situations where there are an insufficient number of employees to achieve this because of budget constraints, a compensating control has been created at the School.

**Restricted Access:** Physical access to valuable and moveable assets is restricted to authorized personnel.

**Document Control:** To ensure that all documents are captured by the accounting system, all documents must be signed or initialed and dated when recorded and then filed appropriately.

**Records Retention:** Records will be maintained for the periods sufficient to satisfy IRS regulations, federal grant requirements, OMB A133 audit requirements (if applicable) and other legal needs as may be determined. Record retention requirements are reviewed annually with legal counsel and independent auditors to determine any necessary changes.

**Processing Controls:**

The School has implemented processes that are designed to identify any errors *before* they are posted to the general ledger. Common processing controls include: (1) Source document matching; (2) Clerical accuracy of documents; and (3) General ledger account code checking.

**Reconciliation Controls:** In order to identify any errors that have been posted to the general ledger, the school has implemented review and reconciliation procedures such as bank and credit/debit card reconciliations, review and reconciliation of selected general ledger accounts.

**Annual Independent Audit:** The School's financial statements are audited annually by an independent audit firm selected by the Board of Directors.

**Security of Financial Data:** The School's accounting software is accessible only to the Director of Operations and Financial Consultant. Individual user names and passwords will be issued for each user and their access will be limited according to their functionality and role within the School. All hard copies of financial data, when not in use, will be secured in a designated area at the School.

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

**Fraud Prevention:** The School’s policies and procedures are designed to detect and deter fraud. These include policies such as purchasing approval thresholds, payroll processing approvals as well as check signing requirements and thresholds.

#### **4. Accounting Cycle**

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

The components of the accounting cycle fall into five primary functions:

##### **A. Revenue, Accounts Receivable, and Cash Receipts**

Key tasks in this area include:

- Processing and recording cash receipts and making deposits;
- Performing month-end reconciliation procedures; and
- Tracking grant compliance and private revenue restrictions.

##### **B. Purchases, Accounts Payable, and Cash Disbursements**

Key tasks in this area include:

- Authorizing the procurement of goods and/or services;
- Processing purchases and recording invoices and issuing checks; and
- Performing month-end reconciliation procedures.

##### **C. Payroll**

Key tasks in this area include:

- Maintaining and processing payroll information;
- Performing quarterly and year end reconciliations; and
- Preparing required federal, state and local tax filings.

##### **D. General Ledger and Financial Statements**

Key tasks in this area include:

- Reviewing and reconciling general ledger activity;
- Reconciling bank accounts; and
- Producing financial statements.

##### **E. Budgets and Financial Reporting**

Key tasks in this area include:

- Preparation of annual budget; and

- Preparing monthly budget vs. actual reports.

## **ANNUAL BUDGETING AND REPORTING**

### **Annual Budgeting**

The School is responsible for creating annual operating and capital budgets as well as updating the 5-year budget projections (as needed). The annual operating and capital budget and the 5-year budget projections (if amended) must be approved and passed by the Board of Directors by June 30<sup>th</sup> before the start of the new fiscal year. Following this approval, any formal amendments to the budget must also be approved by the Board of Directors.

### **Financial Reporting**

The School will complete and present financial reports as required by the Board of Directors, including but not limited to the following:

- (1) Budget vs. Actual report for the operating and capital budgets;
- (2) Balance Sheet;
- (3) Statement of Cash Flows;
- (4) Cash Flow projections as needed; and
- (5) Federal grant reports as needed.

## **CASH RECEIPTS AND REVENUE**

### **Background**

The School receives revenues from the following primary sources:

- Federal, state, and local government; and
- Corporations, foundations, and individuals

### **Distribution of Mail**

The School Office Manager sorts and distributes all mail on a daily basis.

- Bank statements and credit card statements are distributed to Principal unopened for review
- Vendor bills/statements, checks for deposit and city/state/federal agency correspondence are distributed to the Director of Operations unopened for review

## Receiving, Processing and Recording Cash Receipts

- All checks must be stamped immediately in the designated endorsement area with “For Deposit Only” by the School Office Manager, with the appropriate bank account number and the name of the School.
- The Director of Operations is responsible for making all deposits. Checks should be secured in a locked location until deposited, and deposits must be made daily.
- Payments received from students/families (for example, school lunch fees, uniforms, field trips) will be collected by designated staff and submitted to and counted for accuracy by the School Office Manager.
- The Financial Consultants records the receipt of funds in the accounting system.
- The Director of Operations is responsible for ensuring the completion and filing of the Cash Receipts Packet which includes:
  - Deposit Detail from accounting system;
  - Copy of deposit slip;
  - Bank-endorsed proof of deposit;
  - Copy of all checks and cash receipt logs for currency; and
  - Additional documentation received with the check
- The Director of Operations and Financial Consultants will periodically audit and review all transactions for accuracy and proper supporting documentation.

## Revenue Compliance

The School’s accounting and documentation system must be capable of meeting the specific requirements imposed by grant agreements and donor designations and restrictions. Restriction parameters (such as job codes, donors or classes) will be set up in the accounting system to allow for accurate tracking of the applicable revenue, expenses, and assets based on the funding requirements.

- All grant expenditures/costs reported must be reconciled to the books by the Financial Consultants prior to the submission of any reports.
- The School must establish and document an annual cost allocation plan (for both direct and indirect costs), which is reviewed and approved by the Board of Directors.
- Expenses cannot be charged over 100% against multiple grants.
- The Director of Operations must ensure that all reporting requirements and deadlines are met.

### ***Federal Awards***

The link below can be referenced for A-133 requirements related to each grant:

[http://www.whitehouse.gov/omb/circulars/a133\\_compliance\\_supplement\\_2014](http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014)

For all federal grants the Principal will be required to certify all reports and payment requests by

signing and agreeing to the following:

“By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the federal award. I am aware that any false, fictitious, or fraudulent information or the omission of any material fact, may subject me to criminal civil or administrative penalties for fraud, false statements, false claims, or otherwise.”

Drawdowns/advances must be disbursed within specified time and maintained in insured account. The funds must also be in interest bearing account, if:

- Aggregate federal awards are over \$120,000; and
- Account expected to earn in excess of \$500 in interest per year; and
- Bank required minimum balance is feasible for the School to maintain.

### **Allowability Procedures**

Before any grant funds are budgeted and expended staff are required to determine the cost eligibility based on the following factors:

- Necessary, reasonable and allocable
- Conform with federal law and grant terms
- Consistent with state and local policies
- Consistently treated
- In accordance with GAAP
- Not included as a match
- Net of applicable credits
- Adequately documented

The following link must be used to determine specific cost eligibility:

[http://www.whitehouse.gov/omb/circulars\\_a122\\_2004#atta](http://www.whitehouse.gov/omb/circulars_a122_2004#atta)

Payments made for costs determined to be unallowable by either the Federal awarding agency or pass-through must be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs are unallowable.

### **Payroll (Time and Effort Documentation)**

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

### **Revenue Recognition for Grants**

Revenue is recognized when earned and when contributions are received or awarded in

accordance with GAAP.

## **In-kind Contributions**

### ***Donated Goods and Services***

Donated goods and services can include office space, professional services such as outside counsel's legal advice, food, clothing, furniture and equipment, or bargain purchases of materials at prices less than market value. In addition, volunteers can provide free services, including administrative services, participation in fundraising events, and program services. The Financial Consultants, with input from the Director of Operations, record donated items or services in the accounting system at fair value or avoided cost, as determined by the donor and documented in writing.

### ***Donated Securities***

Publicly traded securities may be accepted. The School should sell all gifts of public securities as soon as reasonably possible with the cash from the sale transferred to the School's bank account. The securities will be valued at the closing price on the day they were sold.

## **Contributions Acknowledgment Letter**

When the School receives a donation or an unconditional pledge in excess of \$250, a contribution acknowledgement letter stating the value of the donation is drafted by the Director of Operations, signed by the Principal, and sent to the donor. The acknowledgment should include:

- The amount of cash received and a description of any other property contributed (for in-kind goods contributed in which donor determines fair value for their individual tax purposes, the donor provided fair value is included as contribution);
- A statement about whether any goods or services in return for the contribution were provided; and
- A description and an estimated value of what was provided if the School provided something in return for the contribution.

These rules do not apply on a cumulative basis. One contributor who makes separate donations, each of which is less than \$250 but in the aggregate is greater than \$250, is not required to receive an acknowledgment.

## **Accounts Receivable Aging**

All outstanding accounts receivable are aged on a thirty, sixty, ninety, and over-ninety day basis. The Director of Operations should review the accounts receivable aging monthly, determine which invoices are collectible, and follow the necessary requirements based on the type of funding, in order to collect. Accounts receivable that are deemed uncollectible will be written off once approved by the Director of Operations.

## **PURCHASES AND CASH DISBURSEMENTS**

### **Background**

The School procures only those items and services required to fulfill the mission and/or fill a bona fide need. Procurements are made using best value contracting, which entails assessing the best value considering quality, performance, and price.

The School adheres to the following objectives:

- Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable considerations such as delivery, quantity, quality.
- The School will make all purchases in the best interests of the School and its funding sources and in accordance with any grant restrictions as applicable.
- The School will buy from reliable vendors.
- The School will not contract with vendor who has been suspended or debarred. [www.sam.gov](http://www.sam.gov)
- The School will obtain maximum value for all expenditures.
- The School will be above suspicion of unethical behavior at all times and avoid any conflict of interest, transactions with related parties, or even the appearance of a conflict of interest in the School supplier relationships. The School's conflict of interest policies are described in its By-laws.
- The contractor must possess financial and technical resources necessary to provide service/goods
- Competitive quotes are required for goods and services over \$3,000 (followed by bidding requirements stated above.)
- Competitive bidding must be based on the procedures outlined in the School's Fiscal Policies and Procedures Manual.

### **Exemption from Sales Tax**

The School is exempt from federal and state tax. As such, the School is exempt from sales taxes on goods purchased for their own internal use. The School's Director of Operations is responsible for ensuring that all vendors have a copy of the sales tax exemption letter.

### ***Purchases Funded with Federal Awards***

Competitive quotes are required for goods and services over \$3,000 (followed by bidding requirements stated above.)

### ***Competitive Bidding Procedure***

- The School will seek price quotes from at least three vendors and award the contract to the qualified vendor offering the supply or service needed for the lowest price.

- The Director of Operations is responsible for soliciting and documenting these quotes.
- The Board of Directors must provide final approval after multiple bids are presented to them with recommendations.
- Award may be made to a vendor other than the low bidder in circumstances which the higher bid demonstrates best value to the School. In such situations, the Director of Operations shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision.
- If required by the School’s Authorizer, the School will notify the School’s Authorizer of any material or significant purchases, contracts and agreements in addition to obtaining Board of Director approvals.

**Processing Purchases**

***Approval***

No staff member may approve his/her own purchase requests. Each purchase must be approved as follows:

<b>\$ Value/Range</b>	<b>Required Signatures for Approval</b>
Below \$19,999	Principal
\$20,000 and above	Principal <b>and</b> Designated Board Officer

\* For recurring charges (such as rent, utilities, monthly insurance) over \$20,000 annual approval is acceptable.

***Issuance and Monitoring of Purchase Orders***

- Request for purchases are submitted to the School Office Manager.
- The School Office Manager creates a Purchase Order (PO) per vendor and based on the total value of the Purchase Order, seeks approval based on the table above. All purchasing thresholds apply to the entire order, not single items.
- Purchase of services are approved through Payment Authorization Form and signed contracts, no PO necessary
- The Director of Operations then sends the order to the vendor, accompanied by any required documentation.

***Receipt of Goods***

- The School Office Manager will sign for delivery.
- The School Office Manager is responsible for opening the box(es) and obtaining and signing the packing slip(s). In instances where there is no packing slip, a substitute packing slip will be filled out and signed by the Office Manager.
- The School Office Manager will check the packing slip against the original PO.
- If there are discrepancies with the order, the Director of Operations or School Office Manager will contact the vendor to resolve any issues.

**Processing Disbursements**

- The vendor invoice is entered into the accounting system by the Financial Consultants. The Financial Consultants will assemble and file (once complete) the following Cash Disbursement Packet:
  - Check Stub or copy of check;
  - Payment Authorization Form/ Check Request form;
  - Purchase Order/Reimbursement Form;
  - Vendor Invoice;
  - Packing Slip; and
  - Other documentation
- The Director of Operations with input from the Financial Consultants will review accounts payable aging to determine invoices to be paid, taking into consideration purchase discounts whenever possible.
- The Director of Operations will maintain all blank check stock in a locked location at the school.
- The Financial Consultants cut the check. The checks are run weekly or as needed.
- The Cash Disbursement Packet and check is reviewed, approved and signed (as required below) and filed by the Financial Consultants.
- The School Office Manager mails the checks.
- Any and all voided checks should be stamped “Void” and filed appropriately.

***Check signing authority is as follows:***

<b>\$ Value/Range</b>	<b>Required Signatures for Checks</b>
Below \$19,999	Principal
\$20,000 and above	Principal <b>and</b> CEO or Designated Board Officer

\* For recurring charges (such as rent, utilities, monthly insurance) over \$20,000 one signature is acceptable.

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

***Online/Phone/Fax/EFT Payments***

Payments made online or by phone, fax, or electronic funds transfer (EFT) may be processed by the Director of Operations or the Financial Consultants only after the Payment Authorization Form is approved by the proper signatories (detailed above). The Payment Authorization Form will take the place of a traditional check. For recurring automatic withdrawals, an annual Payment Authorization Form must be completed and approved.

**Accounts Payable**

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

### **Outstanding Checks**

Checks outstanding for 90 days or more should be investigated by the Director of Operations. Based on the outcome of the investigation, the check should be voided in the accounting system, a stop payment issued with the bank, and a new check issued to the vendor.

### **Reimbursable Expenses**

- With prior approval, as described below, staff may make the purchase with their own funds and apply for reimbursement for amounts up to \$500 per year depending upon position.
- Reimbursable expenses will require pre-approval by the Principal via the Expense Reimbursement form.
- The Board Chair/or designated board representative will approve the Principal's expense reimbursements.
- Receipts are required for all expenditures requiring reimbursement.
- Employees should note that the School is tax exempt and therefore does not reimburse employees for sales tax. A copy of the Sales Tax Exempt Certificate may be obtained from the School for use when making reimbursable purchases.

### **Board Related Expenses**

- Directors and officers may be reimbursed or advanced reasonable expenses relating to the execution of their duties as Directors or officers in any manner prescribed by the Board of Directors.

### ***Travel Expenses***

- All travel arrangements and expenses, must be pre-approved by the Principal (The Board Chair/designated board representative will approve the Principal's travel arrangements.)
- All pre-approved travel arrangements will be purchased or reimbursed by the School.
- Expectations for daily expenses or per diem allowances will be determined prior to the employee's trip.
- Receipts are required for all expenditures requiring reimbursement, and requests for reimbursement must be made within 45 days of expense.
- Approved Expense reports should be submitted to the Director of Operations for processing.

***Documentation of all expenses should comply with IRS requirements and clearly show:***

- Date
- Names of those in attendance
- Location
- Business purpose
- Amount

***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 as approved by the Principal.
- Parking fees and toll fees are reimbursable if supported by receipts.

**Political Contributions**

No funds or assets of the School may be contributed to any political party or individual who either holds public office or is a candidate for public office. The School also cannot provide financial or in-kind support to any organization that raises funds for political purposes. Examples of prohibited activities are:

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

**Cellular Telephones**

Authorized employees of the School are provided school cell phones for the purpose of conducting legitimate school business. Staff members not provided a school issued phone may be reimbursed for school related calls based on proper documentation and approval by the Principal.

Employees provided school cell phones are required to sign the School's Cellphone User Agreement.

**Debit/Credit Card Purchases**

- The School maintains a credit card account in the name of the School, with cards issued to the CEO, Principal and Director of Operations.
- Debit cards are not allowed.
- All cardholders must sign and adhere to the School's Credit Card Usage Agreement.
- All credit card purchases/payments must be pre-approved via the Payment Authorization Form based on the purchasing guidelines and policies outlined previously.

- In addition, credit card statements must be submitted to the Board Treasurer or a Board Finance Committee Designee for review on a monthly basis.
- Credit card purchases may not exceed \$1,000 per purchase.

### ***Responsibilities of Cardholder***

The cardholder is responsible for the safekeeping of the card, and will be held accountable to:

1. Ensure that the card is used only for legitimate school purposes;
2. Adhere to the Credit Card Agreement;
3. Maintain original receipts, invoices, purchase documents and correspondence including all detail related to the purchases on file for audit purposes, and to provide the School with copies of such documents upon request; and
4. Advise the School of any incorrect charges/transactions in order to follow-up and obtain credit from the issuing institution if warranted.

### ***Cancellation and Renewal of Cards***

All relevant cards will be cancelled should an individual cardholder leave his or her position or role with the School and if any of the above policies, procedures, and guidelines are not followed.

### ***Rewards Program***

If applicable, any rewards/points earned on a credit card will be redeemed monthly and credited towards amount due.

## **MANAGEMENT OF CASH**

### **Bank Accounts**

The School has the following accounts:

- Checking Account (Operating Account)
- Payroll Account

In all instances, the School is utilizing its accounts in a way that safely maximizes its overall interest income. The School has the following authorized signatories on the accounts;

- Principal
- Chief Executive Officer (CEO)
- A Designated Board Member(s).

Board approval is required to open or close a bank account and must be recorded in the board meeting minutes.

The School recognizes that federal insurance on deposits with a participating bank institution is

limited to a total of \$250,000.00, regardless of the number of accounts held. If deemed necessary, the School may negotiate with the financial institution in order to secure such deposits in excess of federal coverage.

### **Bank Reconciliation**

- Monthly bank account reconciliations are processed by the Financial Consultant using the accounting system.
- Any irregularities shall immediately be reported to the Director of Operations who will inform the Principal and Board.
- A reconciled Bank Reconciliation report is attached to the bank statement.

### **Cash Transfers**

- Cash balances in all the School bank accounts will be monitored by the Principal, Director of Operations and Financial Consultants to ensure that an adequate amount of funds are on hand to meet the School's financial obligations.
- Transfers **among** the School accounts (only) may be made by the Principal or Director of Operations with guidance from the Financial Consultants as needed.

### **Investment of Funds**

The Director of Operations has been granted authority in conjunction with the Board Finance Committee approval to:

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

### ***Authorization of Investment Vehicles***

The School's Board of Directors authorizes use of specific depository and investment banks and brokerage firms. This authorization is documented in the minutes of the applicable board meeting and communicated to the Director of Operations. The Director of Operations communicates the authorization and a list of those personnel designated as authorized agents for the agency to the appropriate banks and firms.

### ***Reconciliation of Investment Accounts***

Investment account balances are reconciled with the general ledger balance by the Financial Consultant on a monthly basis and reviewed with the Director of Operations.

## **PAYROLL**

### **Hiring**

The School's philosophy is that success depends on hiring highly qualified professionals who are dedicated to ensuring that the services rendered to the students are of high standards, under the direction of the Principal and the Board.

- Recruitment will consist of a comprehensive process that includes advertisements in newspapers and educational journals, extensive networking and/or use of regional and national educational search firms and online publications.
- All new employees must receive a signed and approved employment letter from the Principal.
- Any new employees will be subject to fingerprinting and any additional background checks and references as deemed necessary.
- Once the new employee is hired, the Director of Operations will collect all necessary payroll data (see *Personnel File* table) and communicate it to the outside payroll service provider.
- If an employee must begin service before fingerprint clearance, the employee must receive an Emergency Conditional Appointment that the School's Board of Directors approved.

### **Salary Determination**

- The School will review comparable data which can include published compensation surveys and executive compensation reported in the IRS Form 990 of other NYC charter Schools for Administrative staff.
- The Board of Directors determines the salaries for key employees (Director of Operations and Principal). Any such decisions will be captured in the Board meeting minutes.
- Any changes to a staff member's salary will be approved by the Principal in writing or electronically and maintained in the employee file.
- If applicable, bonus calculations, requirements, and eligibility are determined by the Board of Directors, outlined explicitly, and recorded in the meeting minutes. A payment schedule is created by the Director of Operations which would then be submitted to the Board for their approval.

The School complies with the laws and general principles of employee confidentiality as set forth in the Health Insurance Portability and Accountability Act (HIPAA)<sup>1</sup> with regard to the

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<sup>1</sup> Health Insurance Portability and Accountability Act (HIPAA);  
<http://www.hhs.gov/ocr/privacy/hipaa/administrative/index.html>; access on 07/2010

dissemination of private health information (PHI) of School employees. To comply with all rules and regulations, including the Americans with Disabilities Act (ADA)<sup>2</sup>, the School will keep all medical records and all other related documents separate from the personnel file. Employees should consult with the Director of Operations or Principal for further information concerning the School's privacy practices.

### **Analyzing Job Information**

The Fair Labor Standards Act (FLSA)<sup>3</sup> sets employee minimum wage and overtime requirements. Job positions are classified as either exempt or non-exempt from the requirements. These requirements are summarized below and are adhered to by the School..

**NON-EXEMPT employees** are entitled to overtime pay for all hours worked over 40 hours in a workweek under the Fair Labor Standards Act. Non-exempt employees do not receive compensation for their lunchtime and they may not work during lunchtime.

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

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

- **REGULAR FULL-TIME employees** are those who are not in a temporary status and who are regularly scheduled to work the School's full-time schedule. A regular full-time employee is one who works thirty-five (35) or more hours per week.
- **PART-TIME employees** are those who are not in a temporary status and who work continuously for a specified number of hours per week, which is at least twenty (20) hours per week and less than a regular schedule of thirty-five (35) or more hours per week. Part-time employees receive all legally mandated benefits (such as Social Security and workers' compensation insurance).
- **TEMPORARY employees** are those that are hired for short-term periods, usually no longer than 6 months. They will receive all legally mandated benefits but are not eligible for the School's discretionary benefits.

### **Compensation Accrual**

Unpaid compensation (including unused vacation, sick and personal) as of June 30<sup>th</sup> of each fiscal year will be accrued per GAAP.

### **Obtaining Payroll Information**

The Director of Operations is responsible for obtaining the following:

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<sup>2</sup> Americans With Disabilities Act of 1990, as Amended; <http://www.ada.gov/pubs/adastatute08.pdf> ; access on 07/2010

<sup>3</sup> Fair Labor Standards Act (FLSA); <http://www.dol.gov/whd/flsa/index.htm> ; access on 07/2010

<b>Personnel File</b>	
Employment acceptance letter (signed by both parties)	Form I-9 Employment Eligibility Verification, with proper identification ( <b>to be kept in a separate file</b> )
Job description	Federal Withholding Form W-4
Resume	NYS Wage Theft Prevention Form
Certifications (if applicable)	NYS IT-2104
Fingerprint Clearance	Direct Deposit
Retirement Account Application	Benefit Enrollment Form
Life Insurance Form	Emergency Contact Information
Resignation/Termination Letter	Payroll change documentation (i.e. enrollment/discontinuance of a benefit, change salary or title)

- All personnel files must be kept in a locked file cabinet and kept based on record retention requirement, Annex 2.
- Access to such personnel files is limited to the School Office Manager, Principal, and Director of Operations.
- No employee can review or access his or her own personnel file without written permission of the CEO, Principal or Director of Operations.
- No personnel file is to be copied or removed from the office where it is kept unless expressly permitted in writing by the Director of Operations or Principal.

### **Time Reporting Procedures**

- All employees are responsible for tracking the actual time they have worked and paid time off, in accordance with the Employee Manual and Handbook.
- The Director of Operations will keep track of all days the employees are not at work based on approved Leave Request Forms and timesheets.
- All overtime work must be pre-approved by his/her supervisor.
- Time off for no-fault days, leaves of absence, and unpaid lunch hours will not be considered hours worked for purposes of calculating overtime pay.
- If federal funds are used for salaries, then time distribution records are required and must accurately reflect the work performed for each award.
  - Employees working under one federal grant are required to prepare and sign semi-annual time certification.
  - Employees working under multiple federal grants are required to prepare and sign monthly Personnel Activity Report.

## **Processing Payroll**

- Any changes to an individual's compensation must be approved in writing by the Principal and submitted to the Director of Operations.
- The Financial Consultant is responsible for removing terminated employees from the payroll system immediately after the terminated employee has received her/his last payment from the School.
- The Financial Consultants will maintain an Excel spreadsheet to calculate the School's entire payroll based on attendance records approved by the Principal for each payroll.
- The Financial Consultant will then input the approved payroll data into the payroll provider system, creating an official Payroll Register Preview.
- The Payroll Register Preview is reconciled to the Excel spreadsheet by the Director of Operations and forwarded to the Principal for approval.
- Once approved, the Financial Consultant will submit the payroll for final processing.
- Payroll is recorded in the accounting software by the Financial Consultant.
- The School Office Manager will distribute payroll checks and direct deposit stubs to employees.
- The Director of Operations controls and monitors all payroll checks that are not deliverable and not cashed.
- Employees must submit written requests for replacement checks for lost checks to the Director of Operations.
- All payroll documents must be maintained in a secured and locked location.
- Documentation for each payroll consists of the following:
  - Payroll Register Preview;
  - Approved (by Principal) documentation for payroll changes to individual employees (i.e. new hires, terminations, pay rate changes, or payroll deductions);
  - Attendance records;
  - Overtime timesheets; and
  - Final Payroll Register and Reports signed off by the Principal

The School is on a semi-monthly payroll cycle which is made up of twenty-four (24) pay periods per year. 10-month salaried employees' (i.e. Instructional Staff) pay is spread out over these 24 pay periods to cover the summer months. Part-time hourly employees are only paid for time worked. Changes will be made and announced in advance whenever the School holidays or closings interfere with the normal pay schedule.

## **Payroll Reconciliations**

The payroll vendor is responsible for the preparation of quarterly and annual payroll tax filings. The Director of Operations and Financial Consultant are responsible for reviewing all payroll tax documents and supporting schedules for accuracy and completeness.

### ***Quarterly Reconciliation of Payroll to Accounting Records***

On a quarterly basis, the Financial Consultant perform a reconciliation of all salary accounts,

benefit deductions and payroll taxes in the general ledger, as compared with the salary reported by the payroll processing company on the Form 941 and/or other Quarterly Payroll Return. Any variances are researched and cleared within the month following quarter end.

### ***Annual Reconciliation of Payroll to Accounting Records***

On an annual calendar basis, the Director of Operations with assistance from the Financial Consultant performs a reconciliation of the annual Form 941, W-3 to General Ledger. Variances are researched and cleared by January 31 of the following year.

## **PROPERTY AND EQUIPMENT**

### **Background**

All property and equipment subject to the School's Capitalization Policy must be tagged in the manner described below and depreciated according to the School's Depreciation Policy.

### **Capitalization Policy**

The School must capitalize items with an acquisition cost of \$3,000 or more **and** useful life greater than one year. For purchases with federal award the capitalization cost is \$3,000 per unit or more and useful life greater than one year. These items are also subject to the School's depreciation policy, outlined below.

In instances where a large quantity of one single item is purchased, if the total value exceeds the \$3,000 threshold, the items may be capitalized. For example, if a School buys 100 desks at \$250 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a combined value of \$25,000, which should be capitalized.

### **Asset Tracking Process**

Upon receiving any property that qualifies as a fixed asset, the School Office Manager is responsible for recording the following into the Fixed Asset Tracking List:

- Asset tracking number as designated by the School;
- Asset name, use, condition and description;
- Classification (i.e. land, building, equipment, betterment, leasehold improvements, furniture, computer hardware and software);
- Serial number, model number, or other identification;
- Indicate if the title vests with the governmental agency, if required;
- Vendor name and acquisition date or date placed in service;

- Location of the equipment;
- Purchase Value;
- Disposal Date and Reason; and
- Specify dollar amount of any asset purchased with grant fund

Each item is also physically tagged in a visible area on the item and with an indication of whether the item belongs to the School or a governmental agency (i.e. purchased with grants such as Department of Youth and Community Development).

### **Disposition of Assets**

For assets purchased with federal funds the School must request disposition instructions from the federal awarding agency when required.

Otherwise, may be retained, sold or otherwise disposed as follows:

- Over \$5,000 – pay federal share
  - If equipment is sold: Federal awarding agency may permit non-Federal entity to deduct and retain \$500 or 10% of the proceeds for selling and handling instructions.
- Under \$5,000 – no accountability (still must formally dispose)

No employee may use or remove any of the School property, equipment, material or supplies for personal use without the prior approval of the Principal or Director of Operations.

The School Office Manager performs inventory audits every 2 years (in addition, documented inventory audit is required if assets are purchased with federal funds), verifying, and updating the data contained in the Fixed Asset Tracking List. The Fixed Asset Tracking List is reconciled to the General Ledger by the Director of Operations with the assistance of the Financial Consultant.

### **Depreciation Policy**

Depreciation associated with fixed assets is calculated based on the asset's useful life using the straight-line depreciation method. Depreciation is based on the month the item was actually purchased. For instance, if the School purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12), and recorded as such. But if the School purchased the computer in April, then it would be depreciated for just one-fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June.

Any item that is damaged, sold, lost or stolen will be taken out of service and written off. For assets purchased with federal funds for over \$5,000 the School must request disposition instructions from the federal awarding agency.

<b>Depreciation Policy</b>	
Computers	3 years
Furniture and Fixtures	7 years
Office and Classroom Equipment	5 years
Leasehold improvements	<b>Shorter</b> of: 1) the useful life of the leasehold improvements, or 2) the <b>remaining</b> years of the lease
Musical Instruments	3 years

### **DEBT**

Board approval (as documented in the board meeting minutes) is required for incurring any loans, notes or lines of credit for the School. The Board Chairperson and Director of Operations will be authorized to negotiate the debt on behalf of the board. Two signatures (Board Member and Principal) are required for all approved debt agreements.

Any loan covenants and restrictions will be reported to the full Board when the debt is authorized. The Director of Operations, Financial Consultant, and Auditors will periodically review these covenants and report to the Board of Directors if there are any violations or potential violations of the covenants.

The Financial Consultant will reconcile the general ledger debt balances to statements or amortization schedules each month.

### **CONTRACTS AND LEASES**

The Board Chairperson or designated Board proxy and Director of Operations will be authorized to negotiate any contracts and lease agreements as approved by the Board of Directors and documented in board minutes. Two signatures (Board Member and Principal) are required for all approved contracts and leases.

Director of Operations, Financial Consultant, and Auditors will periodically review contract covenant/details and report to the Board of Directors if there are any violations or potential violations of the covenants. The Director of Operations and Financial Consultant will ensure that the appropriate accounting entries are made to properly reflect the obligations of the contract in conformity with accounting principles generally accepted in the United States of America.

## **Utilization of Independent Contractors/Consultants**

- When the School makes the choice to utilize an independent contractor, it first ensures that the individual does qualify as an independent contractor and should not be categorized as a regular employee.
- The School will maintain a written contract with the contractor/consultant.
- The School must obtain Form W-9 from the contractor/consultant prior to issuance of the first payment for services provided.
- In all cases where total payment exceeds \$600.00 in a calendar year, the School will issue IRS form 1099-Misc, as required by law.

### **IRS FORM 990 PREPARATION AND FILING**

The preparation of the School's IRS Form 990 and CHAR500 (if required) will be contracted out to the independent accountants. The Director of Operations and Financial Consultant will be responsible for providing the information needed to prepare the report.

The Director of Operations and Financial Consultant will review the 990 draft. Any changes are communicated to the independent accountants and a revised draft is then forwarded to Board designee. The Board of Directors must approve the IRS Form 990 prior to filing. The 990 must be signed by the Board Chairperson or Board Treasurer.

### **INSURANCE COVERAGE**

The School maintains insurance policies such as: Commercial General Liability, Workers' Compensation, Commercial Auto Liability, Fidelity Bond coverage, Professional Educators Errors and Omissions liability, Sexual Molestation and Abuse coverage, Employment Practices Legal Liability, Property Damage Liability, Business Interruption, Inland Marine, Crime, Directors' & Officers', Umbrella Liability, Student Accident, and Catastrophic Student Accident.

The Director of Operations and the Principal will conduct an annual review of scope and amount of coverage. The purpose of this review will be to ensure there are adequate means to preserve the School's assets and lower the risk of being underinsured. New policies will be executed by the Principal. The Director of Operations is responsible for procuring annual renewals with the School's insurance broker at least one month in advance of a policy's expiration. The Director of Operations maintains original copies of all insurance policies at the School.

**Any vendor (including Independent Consultants) doing business on School grounds (e.g. food service, construction, maintenance, etc.) or with School's students (e.g. bus company) must carry adequate insurance that satisfies the School's requirements and must issue a certificate of insurance that names the School as Additional Insured's. The Director of Operations is responsible for obtaining this before the vendor's service can commence.**

## **RECORDS RETENTION**

### **Records Retention Policy**

All confidential paper records shall be maintained in locked facilities on School premises. The School has an established Disaster Recovery Policy. Annex 2 contains a table which provides the minimum requirements for records retention.

The following corporate documents are maintained on-site or stored electronically:

- a. Charter and all related amendments;
- b. Minutes of the Board of Directors and subcommittees meetings;
- c. Banking documents;
- d. Leases;
- e. Insurance policies;
- f. Vendor invoices;
- g. Grant and contract agreements;
- h. Fixed asset inventory list; and
- i. Tax returns and correspondence

### **Records Access Policy**

The Director of Operations will provide access to the School's records, as requested by auditors to facilitate the completion of such audits or reviews, in a timely manner.

### **Records Destruction Policy**

Once School records have reached the conclusion of their retention period according to the Records Retention Policy, the office of origin will request authorization from the Principal for their destruction. If any litigation, claim, or audit is started before the expiration of the designated retention period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The School will arrange for the safe and secure destruction of confidential records. Destruction methods will not permit recovery, reconstruction and/or future use of confidential information. An overview of these methods follows:

- Paper records containing sensitive confidential information **must** be shredded and not disposed of with other waste.
- Electronic or digital data containing sensitive confidential information must be purged

from the computer systems in the following manner; 1) Deletion of the contents of digital files and emptying of the desktop "trash" or "waste basket." 2) Use of purchased software applications to remove all data from the storage device.

- It is recommended that sensitive confidential data stored on removable storage devices should be physically destroyed.

## **FRAUD AND MISAPPROPRIATION**

The School will not tolerate any fraud or suspected fraud involving employees, officers or Directors, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with the School.

The Director of Operations, Principal and Board of Directors are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.

### ***Actions Constituting Fraud***

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

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

### ***Reporting and Confidentiality***

The Board of Directors will treat all information received confidentially. Any fraud that is detected or suspected must be reported immediately to the Board of Directors for further action. The employee or other complainant may remain anonymous. The outcome of an investigation will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

### ***Investigation Responsibilities***

The Board of Directors has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Board of Directors may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Board of Directors will

take and document proper action up to and including criminal prosecution.

### **WHISTLEBLOWER POLICY**

The School is committed to operating in furtherance of its tax-exempt purposes and in compliance with all applicable laws, rules, and regulations, including those concerning accounting and auditing, and prohibits fraudulent practices by any of its Directors, officers, and employees. This Policy applies to any matter related to the School's business and does not relate to private acts of an individual not connected to the business of the School. Further, this policy is intended to encourage and enable Directors, officers and employees to raise serious concerns within the School prior to seeking resolution outside the School.

#### ***Reporting Responsibility***

It is the purpose of this policy to encourage Directors, officers or employees to report information that they reasonably and in good faith believe to be in violation of the Code of Ethics, the Policy on Conflict of Interests, applicable law or regulation, to a member of the Board of Directors and (add a second person), in writing stating in detail the basis for belief of the violation or suspected violation.

#### ***No Retaliation***

No individual who in good faith reports a violation or suspected violation shall suffer harassment, retaliation, or adverse employment consequence. An individual who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment or membership.

#### ***Reporting Violations***

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

#### ***Handling of Reported Violations***

The Director of Operations will notify the sender and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

The Board of Directors shall take prompt action to assist in properly investigating the report of the alleged violation.

A copy of the Whistleblower policy will be distributed to all director, officer and employees.

### **CODE OF ETHICS**

The Board of Directors recognizes that sound, ethical standards of conduct increase the effectiveness of the School's governing body and staff as educational leaders in the community. Actions based on an ethical code of conduct promote public confidence in the School and the attainment of its goals. The Board also recognizes its obligation under the General Municipal Law to adopt a code of ethics consistent with the provisions of this law, setting forth the standards of conduct required of all Directors, Officers and employees. Unless otherwise defined herein, terms have the meanings given in the Bylaws of the School (the "Bylaws").

Therefore, every Director, Officer, and employee of the School, whether paid or unpaid, shall adhere to the following code of conduct:

1. Management of the School: The Board of Directors shall conduct or direct the affairs of the School and exercise its powers subject to the provisions of applicable law, as well as the requirements set forth in the School's charter and by-laws. The Board may delegate aspects of the management of school activities to others, so long as the affairs of the school are managed, and its powers are exercised, under the Board's ultimate jurisdiction.
2. Gifts: A Director, Officer, or employee shall not directly or indirectly solicit any gifts from the School; nor shall a Director, Officer or employee accept or receive any single gift having a value of \$100 or more, whether in the form of money, services, loan, travel, entertainment, hospitality, or any other form. Gifts from children that are principally sentimental in nature and of insignificant financial value may be accepted in the spirit in which they are given.
3. Gratuities and Kickbacks: No employee (or anyone under their direct supervision) may solicit, demand, accept, or agree to a gratuity, kickback, or an offer of employment in connection with a business transaction. Such transactions include, but are not limited to, approvals on purchase requests, influencing the content of any procurement standard, auditing, or rendering of advice.
4. Confidential Information: A Director, Officer, or employee shall not disclose confidential information acquired by him or her in the course of his or her official duties or use such

information to further his or her own personal interest. In addition, he/she shall not disclose information regarding any matters discussed in an executive session of the Board, whether such information is deemed confidential or not.

5. Representation before the Board: A Director, Officer, or employee shall not receive or enter into any agreement, express or implied, for compensation for services to be rendered in relation to any matter before the Board of Directors, whereby the compensation is to be dependent or contingent upon any action by the School with respect to such matter, provided that this paragraph shall not prohibit the fixing at any time of fees based upon the reasonable value of the services rendered.
6. Participation in Board Discussions and Votes: Every Director has the right to participate in the discussion and vote on all issues before the Board or any Board Committee, except that any Director shall recuse him or herself from the discussion and/or vote on any matter involving such Director relating to: (a) a “self-dealing transaction” (see below) or (b) a potential Conflict of Interest (as defined in the Conflict of Interest Policy).
7. Self-dealing Transactions: Neither members of the Board nor the employees of the School shall engage in any “self-dealing transactions,” except as approved by the Board and in compliance with the Conflict of Interest Policy. “Self-dealing transaction” means a transaction to which the School is a party and in which one or more of the individual Directors, officers, or employees has a financial interest.
8. Disclosure of interest in matters before the Board: Under no circumstance will an employee of the School initiate, participate, or benefit in any way from negotiating a contract or purchase of goods or services in which he/she, a relative, or an associate has financial interest. If an actual or potential conflict of interest is discovered, the employee must immediately withdraw from further participation in the involved transaction and report the transaction to the Board or Board Chairperson.
9. Investments in Conflict with Official Duties: A Director, officer, or employee shall not invest or hold any investment directly in any financial, business, commercial or other private transaction that creates a conflict with his or her official duties, except as approved by the Board and in compliance with the Conflict of Interest Policy.
10. Private employment: A Director, Officer, or employee shall not engage in, solicit, negotiate for, or promise to accept private employment when that employment or service creates a conflict with or impairs the proper discharge of his or her official duties.

### ***Distribution of Code of Ethics***

A copy of this Code of Ethics is to be distributed annually to every Director, Officer, and employee of the School. Each Director, Officer, and employee elected or appointed thereafter shall be furnished a copy before entering upon the duties of his or her office or employment.

### ***Reprimands and Penalties***

In addition to any penalty contained in any other provision of law, any person who knowingly and intentionally violates any of the provisions of the Board's Code of Ethics may be fined, suspended, or removed from office or employment, as the case may be, in the manner provided by law.

### **CONFLICT OF INTEREST**

#### ***Interested Person***

No principal officer or employee may have an interest, direct or indirect, in any contract with the School, when such officer, director, or employee, individually or as a member of the Board, has the power or duty to (a) negotiate, prepare, authorize or approve the contract, or authorize or approve payment under the contract; (b) audit bills or claims under the contract; or (c) appoint an officer or employee who has any of the powers or duties set forth above.

#### ***Financial Interest***

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a) A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
- b) An ownership or investment interest in any entity with which the Corporation has entered into or proposes to enter into any transaction or arrangement;
- c) A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has entered into or proposes to enter into any transaction or arrangement; or
- d) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation entered into or proposes to enter into any transaction or arrangement.

#### ***Duty to Disclose***

Any director, principal officer or employee who has, will have, or later acquires an interest in any actual or proposed contract with the Board must publicly disclose the nature and extent of such interest in writing to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

#### ***Determining Whether a Conflict of Interest Exists***

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or

committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

Notwithstanding anything herein, the following contracts are exempt from this policy, including but not limited to, employment contracts between the school and a board member or employee's spouse, minor children or dependents; a contract between the school and a corporation of which the board member or employee is neither a director nor owns more than five percent of outstanding stock; a contract between the school and a board member or employee entered into preceding the election of the board member but not the renewal/renegotiation of that contract; a contract between the school and a board member or employee in which the total paid does not exceed \$750.00 during the fiscal year when added to the aggregate amount of consideration payable under all contracts pertaining to that individual; a contract between the school and a company that employs a board member or employee where the individual's compensation is not directly affected as a result of the contract and the duties of the individual's employment do not directly involve the procurement, preparation or performance of such a contract; and purchases, in the aggregate amount of Five Thousand Dollars (\$5,000) or less in any single calendar year. No review or action by any governing board or committee shall be necessary if an exception applies.

#### ***Procedures for Addressing a Conflict of Interest***

An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the governing board or committee shall determine whether the School can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the School's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

#### ***Violations of the Conflicts of Interest Policy***

If the governing board or committee has reasonable cause to believe a director, officer or employee has failed to disclose actual or possible conflicts of interest, it shall inform the director,

officer or employee of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the director, officer or employee's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the director, officer or employee has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Any contract entered into with a prohibited interest is null, void and unenforceable. Further any director, officer, or employee who willfully and knowingly violates this policy shall be guilty of a misdemeanor.

### ***Records of Proceedings***

The minutes of the governing board and all committees with board delegated powers shall contain:

- The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing Board's or committee's decision as to whether a conflict of interest in fact existed.
- The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

### ***Compensation***

A voting member of the governing board who receives compensation, directly or indirectly, from the School for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the School for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the School, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

### ***Annual Statements***

Each director, officer, and employee shall annually sign a statement which affirms such person:

- Has received a copy of the Code of Ethics and Policy on Conflicts of Interest,
- Has read and understands the Code of Ethics and Policy,
- Has agreed to comply with the Code of Ethics and Policy, and
- Understands the School is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

### ***Periodic Reviews***

To ensure the School operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- Whether partnerships, joint ventures, and arrangements with management organizations conform to the School's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

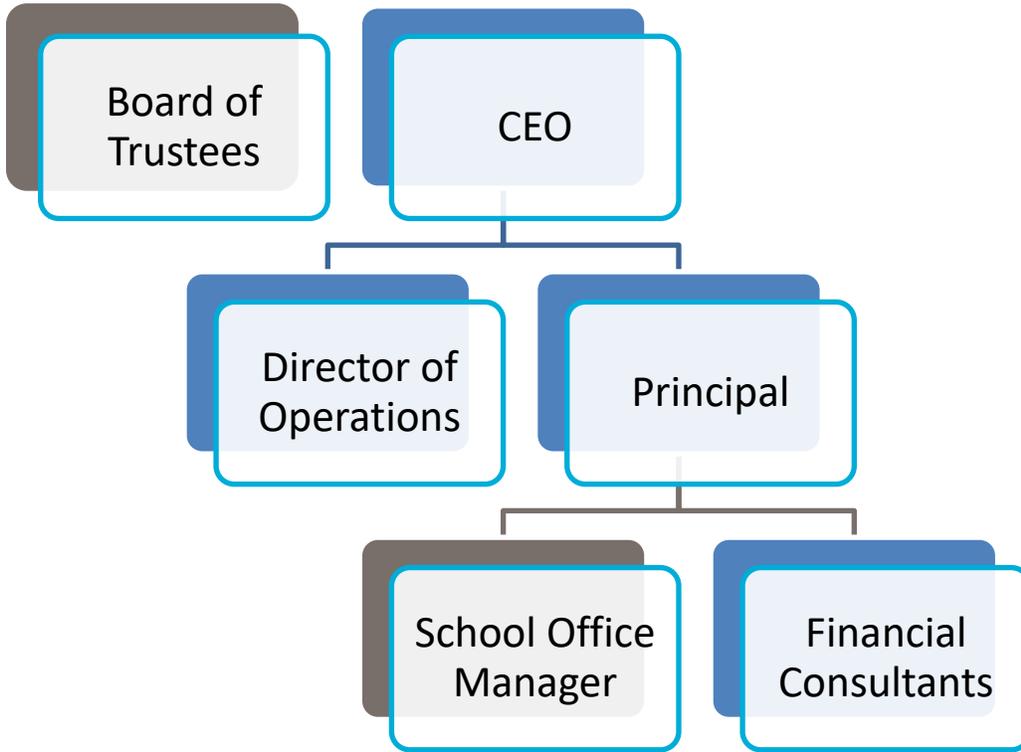
### **CONFIDENTIALITY**

Confidential information includes all information gained during employment or service with the School that is not common knowledge including, but not limited to, student records, personnel records, financial or donation information (including donation lists, donor information, potential donors or business contacts.) All Directors, Officers, and employees must keep such information confidential.

Information about children, families, and employees should be used in a professional manner, only with those who have a business-related need-to-know, and should never be used as a topic of casual conversation or gossip.

Before the end of a term of service or employment with the School, Directors, Officers and employees must return to the School all Confidential Information without retaining it in any form. All other documents, data, manuals, security keys, and other items which are the School's property and which may be in the individual's possession or control should also be returned at this time. Any Confidential Information that cannot be returned must be destroyed.

***Annex 1: Finance Team***



**Annex 2: Requirements for Record Retention**

Item	Retention Period
Bank Statements & Reconciliations	7 Years
Cancelled Checks - (Important Payments - purchases of property, tax payments, large or significant contracts)	Permanent
Cancelled Checks - (Ordinary)	7 Years
Cash Books	Permanent
Cash Receipts and Disbursements	7 Years
Construction Documents	Permanent
Contracts and Leases (Current)	Permanent
Contracts and Leases (Expired)	7 Years
Corporate - Articles of Incorporation & By Laws	Permanent
Corporate - Certificate of Incorporation and Related Legal or Government Documents	Permanent
Corporate - Minutes of Board & Committee Meetings, etc.	Permanent
Correspondence (General)	3 Years
Correspondence (Legal / Important)	Permanent
Duplicate Bank Deposit Slips	3 Years
Email	5 Years
Employee Assignments and Garnishments	7 Years
Employee Benefit Plan Documents	7 Years
Employee Payroll Records	7 Years
Employee Payroll Reports (Federal, State or City Gov't)	7 Years
Employee Personnel Records (After Termination)	7 Years
Employee Personnel Records (Current)	Permanent
Employee Retirement & Pension Records	Permanent
Employee Timesheets	7 Years
Employee Workman's Compensation Documents	11 years
Employment Applications (Current Employees)	Permanent
Employment Applications (Other)	1 Year

Finance - Accounts Payable Ledgers and Schedules	7 Years
Finance - Accounts Receivable Ledgers and Schedules	7 Years
Finance - Audit Reports of Independent Accountants	Permanent
Finance - Chart of Accounts	Permanent
Finance - Depreciation Schedules	Permanent
Finance - Expense Analyses & Distribution Schedules	7 Years
Finance - Financial Statements (incl. Trial Balances)	Permanent
Finance - Fixed Asset Records & Appraisals	Permanent
Finance - General Ledgers	Permanent
Finance - Subsidiary Ledgers	Permanent
Finance - Tax Return Worksheets	7 Years
Finance - Tax Returns	Permanent
Finance - Uncollectible Accounts & Write-offs	7 Years
Finance - W-2 / W-4 / 1099 Forms, etc.	7 Years
Grant Inquiries	7 Years
Insurance - Accident Reports and Claims (Current Cases)	Permanent
Insurance - Accident Reports and Claims (Settled Cases)	Permanent
Insurance - Policies (Current)	Permanent
Insurance - Policies (Expired)	Permanent
Inventories	7 Years
Invoices from Vendors	7 Years
Invoices to Customers	7 Years
Notes Receivable Ledgers	7 Years
Paid Bills & Vouchers	7 Years
Patents & Related Papers	Permanent
Physical Inventory Tags	7 Years
Property Appraisals	Permanent
Property Documents - Deeds, Mortgages, etc.	Permanent
Stock and Bond Certificates (Cancelled)	7 Years
Stock and Bond Records	Permanent

Vendor Payment Request Forms & Supporting Documents	7 Years
Voucher Registers & Schedules	7 Years