

Financial Policies and Procedures

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

I. GOVERNANCE

- A. Financial policies and procedures are governed by the Finance committee of the NOCCS Board.

The Finance Committee is composed of three to seven members, three of which are permanent members whose term coincides with their Board terms, and up to four rotating members. The Head of School and other relevant school personnel, such as the Operations Director, serve as de-facto members of this committee as well. The Finance Committee is chaired by the NOCCS Treasurer. The three permanent members of the finance committee serve contiguously with their board terms. One of the rotating members may be a former board member, and serve on the finance committee until he/she is replaced by a future retiring board member. This is done to ensure that a certain level of historical financial information is maintained within the finance committee. The Finance Committee should also include a parent or outside volunteer with an accounting, bookkeeping or finance background.

- B. Head of School is responsible for all operations and activities related to financial management of NOCCS.
- C. All staff are responsible for managing expenditures appropriately pursuant to this manual.

II. PURCHASES

- A. Authorization of Expenditures: All purchases of goods and services shall be consistent with the Board-approved budget. These purchases shall not require Board-approved/executed contracts, with the exception of expenditures in total annual amounts greater than \$10,000. All other proposed expenditures must be approved by the Head of School who will review the proposed expenditure to determine whether it is consistent with the Board adopted budget and sign the check request and purchase order forms (if applicable).

- 1. If the expenditure causes material negative impact to the budget, the expenditure must first be approved by the Finance

Committee and, at the discretion of the Finance Committee, the entire Board

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B. Contracts

1. All professional consulting services shall be provided for under a contract.
2. Contracts for other goods and services exceeding \$10,000 on an annual basis shall be presented to the Board for approval prior to signing. Length of contracts shall be at the discretion of the Board. In general, contracts exceeding \$10,000 shall be let after a bidding process of sufficient duration to ensure competition. However, the Head of School may make a finding to the Board for sole sourcing a contract exceeding \$10,000; in this case, the Board may approve the contract in arrears at the time of contract execution. (The basis for such a finding may include: time/urgency issues; the absence of competitors; high service/quality from a particular contractor).
3. Bid tabulations shall be presented to the Board along with a recommendation for action. The Board reserves the right to select whichever vendor it deems most prepared to provide the required goods/ services without regard to the low bidder being the automatic selection.

C. Commitments and Purchase Orders

1. Purchase orders under \$5,000 must be approved by the Head of School
2. Purchase orders of \$5,000 or more must be approved by the Head of School and one of the following authorized positions: Board Chair, Board Co-Chair, Board Treasurer

D. Invoices

1. Invoices under \$5,000 must be approved by the Head of School
2. Invoices for \$5,000 or more must be approved by approved by the Head of School and one of the following authorized positions: Board Chair, Board Co-Chair, Board Treasurer

E. Accounts Payable: The school shall abide by EdTec accounts payable policies and procedures set forth separately.

F. Credit and Debit Card Usage: Unless otherwise specified by the Board, debit cards shall not be allowed for any School purchase.

G. Other Electronic Payments: Other electronic methods (wire, ACH, transfer between bank accounts, etc.) shall not be permitted for payment of any expenses or reimbursements without the express written consent of the Head of School and one of the following authorized positions: Board Chair, Board Co-Chair, Board Treasurer

- H. Employee Reimbursements: Any employee reimbursements not discussed elsewhere in this policy must be pre-approved by Head of School. The Head of School must obtain a Board member's authorization on reimbursement requests payable to the Head of School's name.
- I. Vacation Pay-Outs. At end of employment, the Head of School must obtain the Finance Committee's authorization on reimbursement requests payable to the Head of School's name.
- J. Petty Cash – Purpose and Usage
 - 1. No petty cash shall be kept on site for more than 5 business days
- K. Personal Use of School Funds: Use of School funds for personal use is prohibited. Violation of this policy shall result in discipline up to and including dismissal or removal, including from the Board.

III. PAYMENTS PROCEDURES

- A. Transactions requiring Cash Reimbursements
 - 1. Individual fills out reimbursement form, which is available in the NOCCS office.
 - 2. For classroom expenses, Operations Manager or Director records expense against classroom budget. Classroom budget is kept on NOCCS Google Drive and accessible by the Operations Manager, Operations Director and Head of School, and to Lead Teachers by request.
 - 3. Operations Manager stamps reimbursement form with the date
 - 4. Each expense receives a code per budget categories. The codes are on the Chart of Accounts which has been provided by EdTec. A copy is on the google drive, and the Operations Manager keeps a hard copy.
 - 5. Reimbursement form is submitted for payment via the process in Section III, Part E below.
- B. Credit Card Transactions
 - 1. Upon receipt of credit card statement, Operations Manager scans the statement and it is submitted to EdTEC with the weekly batch.
 - 2. For classroom expenses, Operations Manager records expense against classroom budget

3. Operations Manager requests card holders to submit receipts/back-up. If Operations Manager makes the purchase, she prints a copy of the receipt. It is kept in an envelope until the statement arrives. Receipts and records must be kept on record for 7 years.
4. Credit card statements with coding and back-up documentation are submitted for payment via the process in Section III, Part E below

C. Check Requests

1. Individual fills out check request form and provides back up documentation
2. Head of School plus one designated Board member sign all check requests, per purchases rules in Section II
3. Check requests are then scanned and submitted to EdTec for processing and check issuing
4. The Operations Manager maintains records of the signed request form

D. Invoice Receipt

1. Receive invoice through mail or email
2. Operations manager prints if necessary and stamps invoice with the date.
3. Records are kept in a file with the name of the business that issued the invoice. The files are located in the black lateral file cabinet in the office.
4. Records are kept for at least 7 years, either in the office or in appropriate storage
5. Each expense receives a code per budget categories per the Chart of Accounts provided by EdTec. A copy is on the NOCCS Google Drive and a copy is maintained in the Administrative Office.

E. Submission for Processing and Payment

1. Operations manager submits batch of invoices to Head of School each week typically by mid-day on Friday, but as early as Thursday if possible
2. After Head of School approves batch, Operations Manager scans batch and emails to EdTec for processing and payment

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3. If the invoices are anticipated in the budget the Head of School should be able to approve. If outside of anticipated spending it should conform to the purchasing rules which are that less than \$5k head can approve, \$5k-\$10k head and board chair or treasurer, over \$10k requires board approval.
4. EdTec tracks expenses to budget and retains records for school

IV. BANKING

A. General Checking Account

1. The Board shall authorize the establishment of commercial bank accounts for the purposes of School operations. Funds will be deposited in non-speculative accounts including federally-insured savings and/or checking accounts and/or invested in non-speculative federally-backed instruments and/or standard money market accounts.
2. The General Checking Account shall be the primary account for School needs. Authorized signatories to this account shall be the Treasurer, Board Chair, and Head of School. Checks above \$5,000, and checks payable to an authorized signer, must be signed by two authorized people. Authorized signers for checks above \$5,000 from this account shall be the Treasurer, Board Chair, and Head of School.
3. The General Checking Account shall be reconciled monthly by a member of the Finance committee

B. Petty Cash Checking Account – Account Setup and Maintenance

1. The Petty Cash Checking Account shall have a maximum balance of \$1500. The Account shall be funded from the School's business General Checking Account as necessary. A simple ledger shall be maintained by the appropriate staff person and reconciled monthly by a staff member or accountant that does not have transactional access to the account. The petty cash bank reconciliations shall be reviewed by a representative of the Board. Replenishment of the Petty Cash Checking Account shall occur through the normal accounts payable process (see EdTec accounts payable policies and procedures set forth separately).
2. No deposits other than replenishments as stated above shall be made into the Petty Cash Checking Account. All cash and checks shall be deposited into the General Checking Account.

3. Check writing requires signatures from one of the following people: Treasurer or other designee
- C. Deposits of Receipts – The School will deposit all funds received as soon as practical upon receipt. The Office Manager will open all mail on a daily basis, immediately sort all checks and process them as laid out in Section III. The Office Manager will immediately endorse the checks to the appropriate school account and prepare appropriate deposits as soon as practical, ideally the same day and in no case later than three working days.

V. TRAVEL POLICIES

A. Employee Mileage Reimbursement

1. All employees are reimbursed at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business related travel pre-approved by their supervisor. In addition, parking fees and tolls paid are reimbursable if supported by receipts.
2. All employees requesting such mileage reimbursement are required to furnish an Expense Report containing the destination of each trip, its purpose and the miles driven, parking fees and tolls, within one month after the travel date, supported by receipts, if applicable. Reimbursement shall be processed pursuant to procedures laid out in Section III.

VI. OTHER PRACTICES

- A. Budget Adoption: A budget shall be adopted by the Board no later than June 30 prior to the start of each new fiscal year, or earlier if required by the authorizing entity. The Finance Committee of the Board is responsible for developing the budget. It is recommended that this process begin no later than March preceding the new fiscal year.
1. The Budget shall maintain positive net income, year over year
 2. Best Practices
 - a) Build Special Education reserve to \$250,000
 - b) Maintain 4 Months of operating expenses
 3. During the course of the year, the Board may adopt an amended budget as expenses and revenue projections change.

4. The Board is responsible for monitoring quarterly progress against budget and highlighting discrepancies

B. Audit

1. An annual audit by an outside firm shall be performed each year on the close of the prior year's books. The audit shall be performed in advance of the December 15 statutory audit deadline. The audit shall include, but not be limited to, (1) an audit of the accuracy of the School's financial statements, (2) an audit of the School's attendance accounting and revenue claims practices, and (3) an audit of the School's internal controls practices.
 2. If the School receives over \$500,000 from federal sources, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars.
 3. The audit firm shall be on the State approved list of School auditors. No later than each February Board Meeting, the auditor shall be chosen and the Auditor Engagement Letter detailing the services and agreement shall be approved by the Board
 4. At the conclusion of the audit, EdTec will review the audit with the Board and propose any changes necessary in operating procedures to comply with audit findings.
 5. Form 990 Federal Tax Return: The selected audit firm will prepare the Form 990 tax return and send a copy to the school staff responsible for the audit. The school staff will review and send a copy to the Board of Directors for its review and approval before filing. Once approved by the Board, the school will notify the audit firm who will then prepare the final return for filing.
- C. Board Meetings: The Board shall review financial statements at periodic Board meetings. The Finance Committee shall review and approve the monthly check registers and bank reconciliations from the General Checking Account.
- D. Conflict of Interest: Any Board member with a financial or other interest in a matter presented to the Board shall fully disclose such interest prior to Board discussion on the issue and shall recuse themselves from the discussion and voting on the matter. The Board shall develop a separate more comprehensive policy on conflict of interest, hiring of relatives, and compliance with Government Code 1090 and the Fair Political Practices Act.

E. Payroll

1. New Employees: Requests for new employees shall be initiated by the Head of School and be consistent with the approved annual personnel budget. New employees shall complete an Application for Employment and all necessary paperwork for payroll. New employees shall be fingerprinted and TB tested consistent with State law. Fingerprint clearance must be received by the School before any employee may start work.
2. Employees shall accrue vacation and sick leave time based on the personnel policy of the School and according to the EdTec policies and procedures set forth separately.
3. Timekeeping (for hourly staff)
 - a) The Head of School shall develop procedures to ensure accurate and timely preparation of timesheets for hourly employees.
 - b) Authorized timesheets shall be forwarded to EdTec according to EdTec policies and procedures set forth separately. Payroll processing and payment shall take place according to EdTec policies and procedures set forth separately.

F. Independent Contractors: The School shall only engage independent contractors if all of the following practices are followed:

1. The expense is within the approved budget or separately approved by the Board;
2. The contractor provides proof of adequate insurance and IRS form W-9;
3. IRS rules are followed regarding classification of staff as contractors versus employees; and
4. The work is done under contract.

G. Capitalization and Depreciation:

The School will capitalize and depreciate all assets costing \$5,000 or more. All other assets are charged to expense in the year incurred, or per accounting policy.

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

- Leasehold Improvement – Lease term or 5 years, whichever is shorter
- Equipment – 3 years
- Furniture – 5 years

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

H. Disposal of Surplus Property and Donations:

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

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

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

Property Acquired with Federal Grant Funds

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

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Stock Gift Policy

1. The Treasurer will sell any gifts of stock as soon as it is received.

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