



# Cottonwood Charter School

Fiscal Policies and Procedures

## INTRODUCTION

The Board of Directors of Cottonwood Charter School (“School”) has reviewed and adopted the following Fiscal Policies and Procedures Guide (“Guide”) to ensure the most effective use of the School’s funds to support the School’s mission and to ensure that the funds are budgeted, accounted for, expended, and maintained appropriately.

This Guide details the School’s policies and procedures in a number of areas including Internal Controls, Legal Compliance, Conflict of Interest policies, as well as other financial and accounting procedures and protocols. This Guide is intended to align with the School’s charter petition and any Memoranda of Understanding (MOU) with its authorizing entity. The various Chapters herein include, but are not limited to, the School’s policies on authorized signers, use of credit cards, employee reimbursements, purchasing, interschool borrowing and lending, and payroll processing..

In developing this Guide, the School reviewed the Charter School Accounting and Best Practices Manual published by the California Fiscal Crisis and Management Assistance Team (“FCMAT”), as well as other relevant information and resources.

## DEFINITIONS

For purposes of this Guide, the following definitions apply:

“Business Office” shall mean Provenance, a nonprofit public benefit corporation doing business as Inspire District Office, which contracts to provide task-based back office services to the School.

“Principal”, “Assistant Principal”, and “School staff” or “School administration” shall mean those positions at the School.

“Chief Financial Officer” or “CFO”, “Education Director”, “Chief Operations Officer”, and “accounts payable” shall mean those positions at the Business Office, which provide services to the School.

“Board of Directors” shall mean the School’s governing body.

“Fiscal Committee” shall mean the fiscal committee, if any, of the School’s governing body.

## KEY ROLES AND RESPONSIBILITIES

### Board of Directors / Fiscal Committee

The Board of Directors will be provided a presentation of the financial reports noted below that are listed in order from the beginning of the fiscal year. These reports will be prepared by the Business Office and School staff, approved by the Board of Directors at an open and public meeting, and submitted to the appropriate governmental agencies on or before the dates listed below.

1. Adopted Budget (submitted by July 1st)
2. Unaudited Actuals Report (submitted by September 15th)
3. Audited Financial Statements (submitted by December 15th)
4. First Interim Financial Report (submitted by December 15th)
5. Second Interim Financial Report (submitted by March 15th)
6. Form 990 tax return (submitted by May 15th with extension)

The Board of Directors, and/or a Fiscal Committee if created, is responsible for the following:

1. Overseeing the preparation of the annual budget and financial statements.
2. Overseeing the administration, collection, and disbursement of the School's financial resources, in addition to approving the related policies and procedures
3. Overseeing significant financial decisions, such as correcting or restructuring the School's financials and accounting procedures should fiscal problems arise
4. Overseeing the annual independent audit process, including engaging the independent auditor and reviewing all reports and management letters from the auditor
5. Overseeing the preparation and implementation of the governance policies referenced in the Form 990, including conflict of interest, document retention, whistle-blower, review of executive compensation, etc.

# CHAPTER 1

## Internal Controls

### Definition and Importance

Internal controls are the foundation of sound financial management. They include the policies and procedures that help provide reasonable assurance that the School is achieving its objectives and goals by doing the following:

- Ensuring that operations are effective and efficient.
- Safeguarding and preserving the organization's assets.
- Promoting successful events and fundraising ventures.
- Protecting against improper disbursements.
- Ensuring that unauthorized obligations are not incurred.
- Providing reliable financial information.
- Reducing the risk of, and promoting the detection of, fraud and abuse.
- Protecting employees and volunteers.
- Ensuring compliance with applicable laws and regulations.
- Ensuring accurate documenting of all transactions.

Internal controls include the segregation of duties according to functions so that one person is not handling a transaction from beginning to end. This is a critical part of a system of checks and balances. Functions that need to be segregated include the following:

- Initiating, authorizing or approving transactions.
- Executing transactions.
- Recording the transaction.
- Reconciling the transaction.
- Responsibility for the item resulting from the transaction.

To ensure proper internal controls, the duties of custody, recording, and reconciliation are kept separate. For example, if a School staff member were to collect cash, record activity (including receipts) in the financial system, prepare the deposit slip, and reconcile the bank account, with no one else involved in verifying these transactions, there would be a definite lack of internal control because there is no separation of duties. This is especially true if no one other than that School staff member reviews the bank statement and compares it to the original cash receipt documentation. This Guide sets out policies and procedures to ensure segregation of duties and avoid exposing the School to higher risk of potential cash skimming, delayed deposits, or other errors or irregularities.

## Role of Key Financial Staff (Segregation of Duties)

As set forth in more detail in the financial management policies herein, in general, School staff are responsible for initiating, authorizing, approving, and executing transactions, while the District Office is responsible for recording, reconciling, reporting, and reviewing transactions.

Internal controls are affected by the practices and attitudes of administrators. The goal of this Guide is to accomplish the following:

- School administration and the Business Office set a good example by following established policies and procedures
- School administrations ensures that all staff, volunteers and others associated with the School are informed about and follow established policies and procedures
- School, through the Business Office, provides continual assistance and training for all staff members involved in all aspects of cash management and fundraising
- School administration takes action when an infraction occurs

The basic components of internal controls, set forth in more detail in the financial management policies herein, include the following:

- Segregation of duties
- System of checks and balances
- Staff cross training
- Controlled use of pre-numbered documents, i.e. checks
- Asset security and restricted access
- Timely reconciliations
- Up-to-date inventory records
- Appropriate review and approval of transactions
- Comprehensive, up-to-date annual budget
- Expectation that all staff and the Business Office, including administrators, will follow all internal controls

To help ensure adequate internal controls, School has established, implemented and maintained these policies and procedures based on laws, regulations and sound business principles, and communicates them to those involved (e.g., School staff). It is essential that all employees, volunteers and students (when necessary) be aware of expectations regarding internal accounting controls. The Business Office provides training for all individuals who are expected to follow policies and carry out procedures; School staff will ensure that, wherever possible, more than one person is trained for each function (cross training).

The School's annual independent audit also serves to monitor whether School's policies and procedures are being followed in order to determine compliance with applicable state and federal regulations.

If problems with School's internal controls are identified through any means, the Business Office and School will work together to address such problems as soon as possible.

# CHAPTER 2

## Legal Compliance

The School will follow all the relevant laws and regulations that apply to California charter schools. Additionally, any applicable Federal laws and regulations that relate to grant funding received by School will be followed. The following are specific policies of the School:

### Political Contributions and Involvement

The School does not take any position regarding any political candidate. School officials do not make political endorsements in their official capacity, and the School does not make political contributions and/or endorse candidates. However, School officials are not prohibited from making endorsements privately.

Examples of prohibited political contributions, lobbying, and expenditures that support or oppose candidates for public office include, but are not limited to, the following:

- Contributions to political parties or political action committees
- Contributions to the campaigns of individual candidates for public office
- Expenditures to print or assist in printing any political materials
- Expenditures for political advertisements

School complies with all federal and state laws and regulations regarding political contributions, lobbying and expenditures. No federal funds, or assets obtained from federal funds, may be used for any political purposes.

### Record Keeping

To provide an accurate and auditable record of all financial transactions, the School's financial documents, records, and accounts will be maintained in conformity with generally accepted accounting principles as applicable to charter schools, and in conformity with School's record retention policy as applicable. School's accounting data will be backed up regularly by the Business Office to ensure the recoverability of financial information. Further, the School specifically requires that:

1. No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the School.
2. Receipts and disbursements must be fully and accurately described in the books and records.
3. No false entries may be made on the books or records nor any false or misleading reports issued.
4. Payments may be made only to the contracting party and only for the actual services rendered or products delivered. No false or fictitious invoices may be paid.

School staff and the Business Office will work together to provide access to the School's financial records to School's charter authorizer upon reasonable request, including supporting records as requested.

## Reporting Questionable or Suspicious Activity

Employees are responsible for immediately reporting questionable or suspicious activity to their supervisor, the Principal, or the School's Board Chairperson. This includes reporting any concerns regarding improper activity. This could range from financial concerns such as theft or misstated financial statements to workplace concerns such as harassment, discrimination, safety issues, substance abuse, etc.



## CHAPTER 3

### Conflict Of Interest and Related Party Transactions

The School complies with all applicable laws regarding conflicts of interest and related party transactions, including, but not limited to, the California Corporations Code, the Political Reform Act, and Government Code section 1090.

The School recognizes that it is important for Board members and key employees to understand the conflict of interest laws and rules that apply to the School, in order to identify and avoid conflicts of interest. The School board and key staff shall receive annual mandatory training, to be conducted by a third party, on the applicable conflict of interest laws. Such training may be provided at the time the board receives the mandatory Ralph M. Brown Act training required by the School's Charter, and may also cover specific topics including an overview of significant, applicable laws regarding the use of public funds, procedures for hiring, contractual arrangements, purchasing, bidding, and expenditure approvals that help to prevent conflicts of interest.

It is the policy of this School that all School officials, including Board members, officers, and employees, shall not place themselves in any position where their private, personal interests may conflict with their official duties, or where they may directly or indirectly receive personal financial gain through direct or indirect personal influence. School decision makers shall be neither personally nor financially interested in any contract made by them in their official capacity.

The School will be guided by the principle of arms-length standards in entering into transactions with all affiliated or unaffiliated organizations or with a private or related individual(s).

#### Signature Authorities

The Board will approve, in advance, the list of authorized signers on the School's account(s). The Principal, and any other employee/Board member authorized by the Board, may execute contracts, purchases, and expenditures, endorse checks, drafts, and orders for the payment of money, or otherwise withdraw or transfer funds, in the name of and on behalf of the School, subject to the policies and procedures in this Guide. Individual checks greater than \$1000 require two signatures prior to check issuance.

#### Use of School Assets

No employee may use any of the School's property, equipment, materials, or supplies for personal use without the prior approval of the Principal or the Principal's designee.

## Related Party Transactions

### Policy

It is the policy of the Board of Directors that all Related Party Transactions, as that term is defined in this policy, shall be subject to review in accordance with the procedures set forth below. The School has determined that the Board is best suited to review all Related Party Transactions.

### Procedures

The Board shall review the material facts of all Related Party Transactions and may also approve or disapprove of the entry into the Related Party Transaction, subject to the exceptions described below. Where advance Board review of a Related Party Transaction is not feasible or has otherwise not been obtained, then the Related Party Transaction shall be reviewed subsequently by the Board (and such transaction may be ratified subsequently by the Board). The Board may also disapprove of a previously entered into Related Party Transaction and may require that management of the School take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction. In connection with its review of a Related Party Transaction, the Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction.

The Principal shall present, or cause to have presented, to the Board, the following information, to the extent relevant, with respect to actual or potential Related Party Transactions:

1. A general description of the transaction(s), including the material terms and conditions.
2. The name of the Related Party and the basis on which such person or entity is a Related Party.
3. The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
4. The approximate dollar value of the transaction(s), and the approximate dollar value of the Related Party's interest in the transaction(s) without regard to amount of profit or loss.
5. In the case of a lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made.
6. In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.
7. Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

The Board shall be authorized to review in advance and provide standing pre-approval in advance for certain Related Party Transactions or categories of Related Party Transactions. The Board has reviewed the Related Party Transactions described below in “Standing Pre-Approval for Certain Related Party Transactions” and determined that each of the Related Party Transactions described therein shall be deemed to have been reviewed and approved in advance by the Board under the terms of this Policy.

Each director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Board concerning such Related Party Transaction and his or her interest in such transaction. The Board may recommend the creation of a special committee to review any Related Party Transaction.

If a Related Party Transaction will be ongoing, the Board may establish guidelines for the School’s management to follow in its ongoing dealings with the Related Party. Thereafter, the Board shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

This Policy is intended to augment and work in conjunction with other School policies having any code of conduct, code of ethics and/or conflict of interest provisions.

The Board periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Board may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related Party Transactions including those that (i) involve *de minimus* amounts, (ii) do not require public disclosure, or (iii) involve transactions that have primarily a charitable purpose.

## Definitions

A “**Related Party Transaction**” is any financial transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

- (1) the aggregate amount involved will or may be expected to exceed \$10,000 in any calendar year,
- (2) the Board or any of its subsidiaries is a participant, and
- (3) any Related Party has or will have a direct or indirect interest.

A “**Related Party**” is any:

- (a) person who is or was, since the beginning of the last fiscal year, (even if they do not presently serve in that role) an executive officer, director or nominee for election as a director,
- (b) greater than 5% beneficial owner of our common stock, or
- (c) Immediate Family Member of any of the foregoing. An “**Immediate Family Member**” includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone residing in such person’s home (other than a tenant or employee).

### **Standing Pre-Approval for Certain Related Party Transactions**

The Board has reviewed the types of Related Party Transactions described below and determined that each of the following Related Party Transactions shall be deemed to have been reviewed in advance and pre-approved by the Board, even if the aggregate amount involved will exceed \$10,000.

1. Employment of officers. Any employment by the School of, or compensation of, an officer of the School if (i) the officer is not an immediate family member of another officer or director of the School, (ii) the officer was not otherwise a Related Party of the School prior to becoming an employee of the School and (iii) the Board has approved the compensation of such officer.
2. Certain transactions with other companies. Any transactions, arrangements or relationships with another School or Company at which a Related Party’s relationship is as a director, owner, officer or executive.
3. Transactions involving competitive bids. Any transactions, arrangements or relationships involving a Related Party where the rates or charges involved are determined by competitive bids.
4. Regulated transactions. Any transactions, arrangements or relationships with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.
5. Certain banking-related services. Any transactions, arrangements or relationships with a Related Party involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

### **Interpretation**

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to conform to the law, rule, regulation or standard.

*Failure to disclose to the Board a known Financial Interest or a known potential Related Party Transaction may be grounds for removal from the Board or termination of employment by the School.*

## ANTI-NEPOTISM POLICY

### POLICY STATEMENT

It is the policy of Cottonwood Charter School to avoid Nepotism, which means to avoid creating or maintaining circumstances in which the appearance or possibility of favoritism, conflicts of interest, or management disruptions exist due to a relationship between an Cottonwood Charter School decision-maker and his or her Family Member. This policy is to ensure effective supervision, internal discipline, security, safety, and positive morale in the workplace and to avoid the potential for problems of actual or perceived favoritism, conflicts in loyalty, discrimination, and appearances of impropriety or conflict of interest. This policy applies to all Cottonwood Charter School board members, employees, individual consultants hired or retained by Cottonwood Charter School, and School Services Providers hired or retained by Cottonwood Charter School.

Relationships between Cottonwood Charter School board members, employees, consultants, or School Services Providers are permissible under the following circumstances:

- (a) Family Members of Cottonwood Charter School board members, employees, individual consultants, or School Services Providers shall not be hired for or retained in an employment position if one Family Member would have the authority or be in a position to directly supervise, hire, or discharge the other.
- (b) Any time a board member, employee, individual consultant, or School Services Provider is a Family Member of another, the relationship shall not result in an adverse impact on work productivity or performance. The determination of whether there is an adverse impact shall be in the discretion of the supervisor(s) of the employee(s), consultant(s), or School Services Provider(s), or in the case of a board member, in the discretion of the Cottonwood Charter School board of directors.
- (c) Any time a board member, employee, individual consultant, or School Services Provider is a Family Member of another, the relationship shall not create an actual conflict of interest under the law, and shall not create a detrimental perceived conflict of interest. The determination of whether there is a detrimental perceived conflict of interest shall be in the discretion of the supervisor(s) of the employee(s), consultant(s) or School Services Provider(s), or in the case of a board member, in the discretion of the Cottonwood Charter School board of directors.

### DEFINITIONS

“**Family Members**” include an employee's parent, child (natural, adopted, or legal guardianship), spouse, domestic partner, brother, sister, grandparent, grandchild, step-relationships within the preceding categories, brother-in-law, sister-in-law, son-in-law, daughter-in-law and father-in-law.

**“Nepotism”** describes a work-related situation in which there is the potential for favoritism toward a Family Member (such as giving a job, promotion, biased performance reviews, or more favorable working conditions) on the basis of the familial relationship.

**“School Services Provider”** shall mean any provider of school services to Cottonwood Charter School, and in the case of an organization shall mean be the responsible individual at such organization that provides school services to Cottonwood Charter School.

## **PROCEDURES**

When a Family Member of a current Cottonwood Charter School board member, employee, individual consultant, or School Services Provider applies to become a board member or employee, or requests to be a consultant or School Services Provider, the Family Member’s application/request must be denied if a conflict under this policy exists (*e.g.*, if one Family Member would have the authority or be in a position to directly supervise, hire, or discharge the other). Special circumstances may be reviewed by the Board in the event that Cottonwood Charter School’s best interests would be served otherwise.

When a Family Member of a current Cottonwood Charter School board member, employee, individual consultant, or School Services Provider applies for a transfer to a new employment position within Cottonwood Charter School, the Family Member’s application must be evaluated to determine whether a conflict under this policy exists. If a conflict exists, the application for transfer must either be denied or one of the Family Members must seek a position transfer to avoid the conflict, if any such opportunity exists. In the event that no such opportunity exists, the application for transfer must be denied.

In implementing this policy, it is permissible to ask an applicant, potential consultant, or School Services Provider to state whether he or she has a Family Member who is presently employed by or on the board of Cottonwood Charter School, but such information may not be used as a basis for an employment decision except as stated herein.

When a relationship that creates a conflict with this policy occurs during employment, Cottonwood Charter School will attempt to arrange a transfer or change in position/duties to eliminate the conflict. If a suitable transfer/change in position/duties is not available, one of the employees may be separated from service. Every attempt will be made to effect transfer or separation on the basis of agreement between the employees involved and Cottonwood Charter School. If a mutual agreement is unattainable, the Board will determine, in Cottonwood Charter School’s best interest, which employee is to be transferred or separated.

## **RESPONSIBILITIES**

The Senior Director or designee shall coordinate with the current employee's direct supervisor to develop appropriate plans to ensure that a Family Member's employment does not conflict with this policy. If the situation cannot be resolved by a transfer, then the Senior Director or designee will deny the application for employment. Special circumstances may be reviewed by the Board in the event that Cottonwood Charter School's best interests would be served by the employment of a Family Member.

The Senior Director or designee shall investigate reports of Nepotism and take appropriate action. Employees are required to disclose changes in their personal situations to the Senior Director or designee which may be covered by this policy. Supervisors may inquire about the family relationship between employees to determine the appropriateness of the working relationship under this policy. The Board shall make the final determination concerning potential conflicts with this policy involving the Senior Director.

# CHAPTER 4

## Purchasing and Bank Policy

### Purchasing and Procurement

The School adheres to the following objectives in purchasing:

All proposed non-payroll expenditures/invoices are reviewed by the Business Office to determine whether they are consistent with the Board-adopted budget and approved contract, if applicable. In the absence of a vendor invoice, the School will develop and maintain a check request form or other form to document the approval of payment for goods or services. All transactions will be posted in an electronic general ledger maintained by the Business Office. To ensure segregation of recording and approvals, the Business Office may not sign purchase orders or check requests.

Some transactions do not require purchase orders:

1. Re-occurring expenditures, such as:
  - a. Professional fees to back office service providers, and legal services
  - b. Outsourced services (e.g. special education services, security, etc.)
  - c. Payment of health and welfare benefits
  - d. Risk management costs (e.g. insurance)
  - e. Utilities
  - f. Communications (e.g. Internet, wireless, etc.)
  - g. Payroll taxes
  - h. Facility costs pursuant to a Board-approved lease or other agreement
  
2. Budgeted costs, such as:
  - a. Existing and replacement positions (i.e. payroll)
  - b. Expenditures listed in awarded grants
  - c. Software subscriptions (e.g. productivity tools, licenses, etc.)
  - d. Student materials and supplies, unless for a vendor contract over \$50,000, except for vendors that offer student packaged programs like:
    - i. Fusion Elite
    - ii. Thrive Chico
    - iii. Love of Learning

For these, the Principal has a limit of \$100,000



3. Mandatory costs, such as:
  - a. Expenditures required in an IEP (i.e. individualized education program).
  - b. Expenditures from duly approved legal settlements.

## Use of School Credit Cards

### PURPOSE:

The Board of Directors of the School recognizes the efficiency and convenience afforded the day-to-day operation of the School, for payments and recordkeeping for certain expenses, through the use of School credit cards. However, the Board recognizes the need to establish control measures for the use of these cards. The Board agrees that it has a responsibility to ensure that credit card expenses incurred by the School must clearly be linked to the business of the School. This policy addresses and establishes the proper use and assignment of School credit cards.

School credit and debit cards should be issued only to School personnel who travel on School business or who have a legitimate need to purchase goods and services, either in person or online, when a purchase cannot be approved in time or when a vendor will not accept a purchase order. Credit and debit cards should not be used to bypass established purchasing procedures, including advanced approval processes.

### DEFINITIONS:

Cardholder/User: The person for which the School credit card has been issued.

School credit card: The physical or virtual card and number associated with the card issued to the cardholder.

Administrator: The Business Office staff member assigned to establish or terminate Cardholder rights, reassign card limits, or change budget access.

### SCHOOL CREDIT CARD USERS:

A list of those individuals issued a School credit card will be maintained by the Principal and the Business Office and reported to the Board of Directors annually.

A Cardholder/User employee who is no longer employed by the School shall return his or her School credit card upon termination or resignation to the Business Office Chief Financial Officer (CFO) or CFO's designee.

Credit cards will be disabled immediately upon the termination or resignation of a Cardholder/User by the card Administrator. Accounting for credit cards and settlement of credit card billings shall be part of the employee separation checklists.

## USER RESPONSIBILITIES:

Credit Cardholders/Users must take proper care of their School credit card(s) and take all reasonable precautions against damage, loss or theft by adherence to the following provisions:

1. All Cardholders/Users must keep secure and confidential all School credit card numbers and information.
2. Cardholders/Users shall not store sensitive School credit card data, including full account number, type, expiration and track data, in any method on computers or networks; for example, many sites, like Amazon or Apple will allow you to store credit card information online as a convenience for future purchases. This is not allowed because it does make it easier for those who have access to your computer or mobile device to utilize your card fraudulently or for personal purchases to be made using the stored card information.
3. Cardholders/Users shall not transmit in an insecure manner, such as by email, unsecured fax or via mail, School credit card information.
4. Cardholders/Users shall restrict access to credit card data and processing to the Administrator or other authorized individuals.
5. Cardholders/Users shall maintain card information in a secure environment accessed only by the issued Cardholder/User.
6. Cardholders/Users shall not be allowed to authorize payment of their own travel expenses. Travel expenses for any Cardholder/ User other than the Principal must be pre-approved by the Principal, and the Principal's travel expenses shall be approved by a board member.
7. Cardholders/Users are responsible for retaining detailed receipts and/or supplier documentation for all purchases made with their School credit card, without which the Cardholder/User is responsible for the purchase.
8. Cardholders/Users shall submit detailed documentation, such as itemized detailed receipts and/or supplier documentation for services, supporting all purchases made on their School credit card, including travel and/or other actual and necessary expenses which have been incurred in connection with School-related business for which the School credit card has been used.
9. Failure to take proper care of School credit card(s) or failure to report damage, loss or theft may subject the Cardholder/User to financial liability and discipline.
10. If the Business Office identifies any inadvertent personal charges or unauthorized uses of the card, the card statement and all backup documentation will be forwarded to the CFO and Principal for review, or if such charges or uses are those of the Principal, to the Board Chairperson.
11. Purchases made using a credit or debit card are subject to the same approval thresholds and other procurement requirements as all other purchases.

## PURCHASING GUIDELINES:

School credit cards may only be used for legitimate School business expenses and in accordance with Board policies, as defined below.

1. Credit cards shall only be used for transactions for which payment of check disbursement is not accepted or is not practicable, such as if the transaction would cause undue hardship to the School or the Cardholder/User.
2. School credit card usage is limited to the following types of expenses. Any deviations from this usage policy must have prior written approval from the Board of Directors.
  - a. School services, including catering or advertising.
  - b. School supplies, including office supplies, educational supplies, operation and maintenance supplies.
  - c. Travel, including transportation services, airfare, car rental expenses, or payments to a travel agency.
  - d. Payments to educational and charitable organizations, including Schools, colleges, vocational Schools and membership organizations.
  - e. Educational conferences and seminars.
  - f. Other expenses necessary for the education of students or for the continuous operations of the school.

## PURCHASE AUTHORIZATION

The Principal needs to approve any purchases on the school credit cards for all staff members who have been issued cards, unless the staff member has received previous approval authority under the Delegation of Expense Authority policy or has been assigned approval authority under the same policy.

Any purchase above \$50,000 must have board approval.

## PURCHASE LIMITATIONS

1. A Cardholder/User must obtain documented pre-approval from the Principal or Principal designee before using their card.
2. Any purchase by the Principal that exceeds \$50,000 must be approved by a board member.

## APPROVAL PROCEDURES

1. A Cardholder/User will review the card statement to ensure it includes only their own approved charges.

2. The Business Office will verify that documents have been provided for all charges on the card statement.
3. Any charges not made by the Cardholder/User will be identified and discussed with the Principal and forwarded to the CFO.
4. The Principal or Principal's designee will review charges and supporting documentation for each Cardholder/User's monthly statement before approving any payment.
5. For the Principal, the Chairperson or Treasurer of the Board will review charges and supporting documentation for the Principal's monthly statement.
6. All cardholders should report the loss or theft of their School credit or debit card immediately to the credit card company and the CFO, even if the loss or theft occurs on a weekend or holiday. The CFO will discuss any loss or theft with the Principal.

#### EXCLUSIONS:

School credit cards shall not be used for alcohol, cash advances, ATM, gifts, gifts certificates, money orders, gift cards, jewelry or clothing, medical expenses, or payment of fines, auto tickets or penalties, bereavement or congratulatory related items like cards or flowers, unless prior written approval is received from the Principal, or in the case of the Principal, the Board Chairperson or Board of Directors, as appropriate. In no event shall a School credit card be used for a Cardholder/User's personal expenses.

### Employees' Personal Credit Cards

An employee may use their personal credit or debit card for legitimate School business-related purchases and submit a request for reimbursement, but only in alignment with the School's procurement policies and policies for expenditures and employee reimbursements.

### Expenditures and Employee Reimbursements

The Employee Handbook calls for the reimbursement of "certain reasonably necessary business expenses incurred in the furtherance of School business. In order to be eligible for reimbursement, employees must follow the protocol set forth in the School's policy regarding expenditures." This constitutes said School policy.

#### PROCEDURES FOR REIMBURSEMENT

The School will reimburse employees for certain reasonably necessary business expenses incurred in the furtherance of School business. In order to be eligible for reimbursement employees must follow the protocols noted below:

1. Utilize the official "School Reimbursement Form."
2. Fill out form, print, and sign. The Principal should also sign the form signifying their approval.
3. Make a copy of both the form and backup documentation for your files.
4. Attach backup documentation (e.g. itemized receipts, map/s for mileage) to the form.

5. Email your signed and completed form and backup documentation to the Business Office at [accountspayable@inspireschools.org](mailto:accountspayable@inspireschools.org)
6. Complete requests for reimbursement should be submitted within 60 days of the expenditure.
7. Your request for reimbursement will be processed by the Business Office.

#### Guidelines for Specific Reimbursement Types:

1. Reimbursement for Purchases – Must receive immediate supervisor approval or higher prior to any purchase of food, supplies, and/or equipment
2. Hotel Stay – Room rates must be reasonable for the area visited for the reimbursement of Principal, Principal designee or Board Pre-Approved hotel stays .
3. Mileage Reimbursement – attach documented approval or have their Supervisor sign the reimbursement form. Reimbursement for personal car mileage is the prevailing rate allowed by the IRS while on School business.

Gratuity Employees are allowed to tip up to 18% of the subtotal cost, rounded up to the nearest dollar, when gratuity is customary. Any incremental excess is the responsibility of the employee.

#### Governing Board Expenses

1. Board members are not compensated for their services as Board members. However, the Board or fiscal committee may approve the reimbursement of a Board member's actual and necessary expenses incurred when conducting the School's business.
2. The Board member incurring authorized expenses while carrying out the duties of the School will complete and sign a reimbursement report.
3. The full Board or fiscal committee will review the reimbursement report, and if they approve the report, it will be submitted to the Business Office for payment.

#### Contracts

1. The Governing Board must also approve the following contracts:
  - Contracts of \$50,000 or more for construction, equipment, materials, supplies, non-professional services and repairs.
2. Consideration will be made of in-house capabilities before contracting for outside services. Below are considerations:
  - a. Whether the services needed are for a limited amount of time.

- b. Whether the contract service provider has expertise not otherwise available to the Charter School.
- c. Whether the current staff has capacity to do the work.
- d. Whether the contract service provider's core competency would lead to long-term savings.
- e. Whether the utilization of the contract service provider would cost less than a comparable employee with benefits.

## Bank Account Reconciliation

The opening and closing of bank accounts on behalf of the School must be approved by the Board.

Bank reconciliations are a major internal control mechanism and will be prepared and reviewed accurately each month by the Business Office. Reconciliations will be performed for all of the School's bank account transactions.

### PREPARING BANK STATEMENT RECONCILIATIONS

The Business Office completes the bank reconciliation monthly after receiving the bank statement(s). The CFO or the CFO's designee reviews every completed bank reconciliation. To ensure proper segregation of duties, the individual who prepares the bank reconciliation is not involved with any purchase transactions. Any interest, bank charges or other fees or charges should be posted to the account before reconciling. The Principal of the School has final review responsibilities to assure all procedures have been followed.

# CHAPTER 5

## Financial Management Policies

### BASIS OF ACCOUNTING

The School will maintain their accounting records and related financial reports on the accrual basis of accounting.

### ACCOUNTING POLICIES

The accounting policies and financial reporting adopted are consistent with the non-profit requirements of the Financial Accounting Standards Board (FASB). FASB is the recognized standard setting body for establishing non-profit accounting and financial reporting principles.

### BASIS OF PRESENTATION

The accounts of the School are organized on a basis of the Charter School required elements of the Standardized Account Code Structure or SACS. The operations of all funds are accounted for by providing a separate set of self-balancing accounts, which comprise the assets, liabilities, net assets, revenues and expenditures.

### REVENUES

The School records revenue on the modified accrual basis of accounting, consistent with generally accepted accounting principles applicable to special purpose governmental units.

### EXPENDITURES

Expenditures are recorded on a full accrual basis, if material, because they are always measurable when they are incurred.

### CASH MANAGEMENT

1. The School maintains cash accounts at City National Bank
2. A schedule of aged accounts and grants receivable is prepared monthly and reviewed by the CFO for collection and reported to the Principal. Aged accounts payable and receivable are also reflected on regular financial materials provided to the Board of Directors. Appropriate collection procedures are initiated, if necessary.

### GRANT RECEIVABLE AGING CRITERIA

Accounts receivables outstanding are aged on a thirty, sixty, ninety, and over-ninety day basis.

### BUDGETS

1. The School prepares an annual operating budget of revenues and expenses, a cash flow projection, and a capital budget. These budgets and projections are reviewed and approved by the Board of Directors, prior to June 30th each year and modified, as necessary.

2. Financial statements displaying budget vs. actual results are prepared by the Business Office and reviewed by the CFO and Principal, and presented to the Board of Directors at each regularly scheduled board meeting.

#### INSURANCE AND BONDING

1. The Schools maintain minimum levels of coverage, as required by any School charter and/or MOU and as deemed appropriate by School, for the following policies:
  - a. General liability
  - b. Business & personal property (including auto/bus, as applicable)
  - c. Computer equipment
  - d. Workers' compensation
  - e. Personal injury liability
2. The Schools require proof of adequate insurance coverage from all prospective contractors.

#### FINANCIAL REPORTING

The Business Office maintains supporting records in sufficient detail to prepare the School's financial reports throughout the year, including:

1. Annually:
  - a. Financial statements for audit
  - b. Annual budget
  - c. Unaudited Actuals
  - d. 990 Income Tax Returns
2. Monthly:
  - a. Trial balance
  - b. Internally generated budget vs. actual financial statements
  - c. Billing invoices to funding sources
  - d. Updating the cash flow projection
3. Periodically:
  - a. IRS Forms 941 and payroll tax returns and comparable state taxing authority returns
  - b. First and Second Interim Reports



c. Other reports as requested

ANNUAL AUDIT

The Board of Directors arranges annually for a qualified certified public accounting firm to conduct an audit of the School's financial statements in accordance with Government Auditing Standards and the Governmental Accounting Standards Board.

The audit reports will be submitted to the Charter granting agency, California Department of Education, County Superintendent of Schools, and State Controller's Office by December 15th of each year. (Education Code 47605(m))

BOARD AUDIT OVERSIGHT

The Board of Directors shall fulfill its responsibility to provide oversight of management regarding:

1. the School's systems of internal controls, policies and risk management;
2. the integrity of the School's financial statements;
3. the School's compliance with legal and regulatory requirements and ethical standards;  
and
4. the engagement, independence and performance of the School's independent auditors.

Staff will review and present an analysis of independent auditor proposals and make a recommendation to the audit committee, if applicable, and to the Board for selection of an independent auditor. The Board will select the independent auditor. The committee and/or Board will review the scope and results of the audit and will receive notice of any consequential irregularities and management letter comments that the auditor noted during the engagement. Additionally, the committee and/or the Board will develop a corrective action plan to address all relevant weaknesses noted by the auditor. The committee and/or the Board will also review all financial information of the School.

POLICIES RELATED TO ASSETS, LIABILITIES AND FUND EQUITY

ASSETS

Bank Accounts

- A. Bank accounts for the indicated purpose and limitation(s) have been authorized by the Board of Directors of the School at the indicated Federal Deposit Insurance Corporation (FDIC)-insured bank(s): City National Bank

Petty Cash

- A. No account has been approved.

LIABILITIES AND FUND EQUITY

Accounts Payable

Only valid accounts payable transactions based on documented vendor invoices, check requests or other approved documentation are recorded as accounts payable.

#### Accounts Payable Payment Policy

Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis.

#### Accrued Liabilities

These are liabilities that reflect expenses that have not yet been paid or logged under accounts payable during an accounting period.

#### Liability for Compensated Absences

1. Compensated absences arise from employees' absences from employment due to personal time off leave. When the School expects to pay an employee for such compensated absences, a liability for the estimated probable future payments are accrued if all of the following conditions are met:
  - a. The employee's right to receive compensation for the future absences is attributable to services already performed by the employee.
  - b. The employee's right to receive the compensation for the future absences is vested or accumulates.
  - c. It is probable that the compensation will be paid.
  - d. The amount of compensation is reasonably estimable.
2. Compensated absences that are not required to be paid upon employee termination (e.g., paid sick leave) are only recorded when paid.

#### Debt

1. When applicable, short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year.
2. Loan agreements must be approved by the Board of Directors, unless otherwise authorized under the School's Interschool Lending and Borrowing Policy, must be in writing, and must specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.
3. Loans, lines of credit, and other debt incurred on behalf of the School must be approved by the Board of Directors, except as otherwise permitted under the School's Interschool Lending and Borrowing Policy. The School shall not make any loans to third parties, except as otherwise permitted under the School's Interschool Lending and Borrowing Policy.

## FACILITIES

### Disposal of Property and Equipment

1. No item of property or equipment shall be removed from the premises without prior approval from the Principal.
2. The School has adopted standard disposition procedures for staff to follow, which include an Asset Disposal Form, which identifies the asset, the reason for disposition, and signature of the requester. The form also allows for an identification of the asset's book value, condition of the asset, and supervisory approval or denial.
3. When property is retired, the appropriate asset in the fixed asset subsidiary will be adjusted and properly reflected in the accounting system by the Business Office

## GENERAL ACCOUNTING PROCEDURES

In this section, procedures are described for the overall accounting system design, General Ledger activity and General Ledger closeout for the School.

### GENERAL LEDGER ACTIVITY

#### Control Objective

To ensure that all General Ledger entries are current, accurate and complete.

#### Major Controls

1. **Timeliness of Entries**  
All entries are made soon after the underlying accounting event to ensure the financial records and reporting is current.
2. **Support Documentation**  
All entries are supported by adequate documentation that clearly shows the justification and authorization for the transaction.
3. **Audit Trail**  
A complete audit trail is maintained by the use of reference codes from source documentation through the books of original entry and General Ledger, to periodic reporting statements.

#### Procedures

1. Financial data on source documentation is verified against original documents (e.g., invoice, purchase order, etc.) before entering into the accounting system.

2. Each entry in the accounting system is reviewed and approved.
3. Provision is made for using recurring General Journal entries for certain transactions, such as recording the monthly portion of prepaid insurance.
4. Non-recurring entries, such as for correcting entries, recording accruals and recording noncash transactions, are prepared as circumstances warrant and on a monthly basis.
5. All entries in the books of original entry (e.g., cash receipts journal and checkbook) are made soon after the accounting event from authorized forms, and are prepared and reviewed by qualified accounting personnel.
6. All General Journal entries are supported by General Journal Vouchers that have supporting documentation attached.

#### GENERAL LEDGER CLOSE-OUT

##### Control Objective

To ensure the accuracy of financial records and reports.

##### Major Controls

1. Trial Balance  
Monthly, a trial balance is prepared to ensure the accuracy of the General Ledger account balances.
2. Reconciliation of General Ledger Control Accounts with Subsidiary Ledgers  
are prepared on a monthly basis.

##### Procedures

1. At the end of each month, a trial balance of all General Ledger accounts is prepared by the Business Office.
2. Reconciliation between the General Ledger control accounts and the subsidiary ledgers are completed by the Business Office.
3. At the end of the fiscal year and after the annual audit, all income and expense accounts are closed out; and the general ledger balances must be aligned to the audited financial statements.

## Fixed Assets and Leases

Acquisitions and disposals of assets are carefully documented. There are two types of assets: depreciable assets, also known as capital assets (this includes land even though it is not depreciated); and assets the School will track for inventory purposes but not depreciate. All assets purchased, when applicable, such as with automobiles and buses, shall be registered in the name of the School and not the name of an individual.

Cost basis is not the market value or list price of an asset; rather, it is the total amount invested in the purchase or the total amount paid, whether paid in cash or received in kind. The cost basis should include all charges related to the purchase, including the purchase price, sales tax, freight charges, and installation charges if applicable.

Asset purchases that cost \$5,000 or more and have a useful life of more than one year will be capitalized and depreciated. Remodeling of facilities and replacement of structural components are capitalized only when their cost exceeds \$50,000.

Assets that are depreciated include furniture, fixtures, automobiles and buses, buildings, building improvements, and equipment. The straight-line depreciation and amortization method is used. Alternative or accelerated depreciation methods may be used when considered necessary and if approved by the Principal or Principal's designee.

Any assets purchased that cost \$5,000 or more are recorded in a depreciable fixed asset schedule.

Any asset that is not capitalized will be expensed. For example, small tools and equipment, or repairs and maintenance, are usually expensed.

The depreciable fixed asset schedule prepared by the Business Office includes the following information, as applicable:

- Name of the asset
- Asset class (e.g., equipment)
- Description
- Serial number
- Asset tag number
- Date purchased and placed in service
- Vendor purchased from
- Original cost
- Depreciation method
- Estimated useful life
- Accumulated depreciation
- Net book value
- Estimated salvage value, if any

Any assets purchased that cost more than \$500 and less than \$5,000 will be recorded in a fixed asset ledger for inventory purposes.

The fixed asset inventory ledger should include the following information:

- Name of the asset
- Asset class (e.g., equipment)
- Description
- Serial number
- Asset tag number
- Date purchased
- Vendor purchased from
- Original cost

#### Leasehold Improvements

Leasehold improvements, including painting, will be capitalized if they relate to the occupancy of a new facility or to a major renovation of an existing facility, and meet the capitalization threshold of \$50,000.

#### Repairs

Expenditures for maintaining vehicles, equipment or an existing building are not capitalized; they are expensed as a repair.

#### Cost of Buildings

The capitalized cost of a building includes all expenditures related directly to its acquisition, construction or rehabilitation. This includes all associated costs such as materials, labor and overhead incurred during construction, and any fees such as attorney's fees, architect's fees, and building permit fees.

The Business Office will account for the cost of buildings by capturing and recording the details of all costs in a construction in progress account. Costs recorded will include acquisition costs and expenditures made to prepare the building for occupancy.

### Asset Purchase Approval

All purchases of assets should be approved by the Principal or designee unless the purchaser has received prior approval to purchase according to the Delegation of Expenditure Authority policy.

#### Authorization

Proper authorization should be obtained using the Charter School's purchasing process. Approval should be documented on all approvals submitted to the Business Office. School staff may identify the vendor for purchase of the capital assets, or may submit the request to purchasing staff in the business office for procurement.

#### Constructed or Donated Equipment

Any equipment constructed by School employees or donated to the School will be reported to the Business Office if the item has a value of \$5,000 or more. The report will include a complete description of the property, the date it was manufactured or received, the number of items, the cost or estimated value, and a statement indicating whether it was constructed by employees or donated.

Donated equipment becomes the property of the School. Also, the School's Board or its designee should approve the donation. If the equipment has no reasonable use or purpose for the School, the donation should not be accepted.

#### Asset Sales and Dispositions

Capital assets may be sold or traded for new equipment; when this occurs, an asset sale and disposition form will be completed.

For all assets the Principal's approval will be required for a sale or disposition. Any asset over \$5,000 requires board approval prior to sale or disposition.

Upon approval, the School may advertise the property for sale or submit a list to the Business Office for sale and disposition.

After completion of the sale, a completed original bill of sale form with wet signature in blue ink, preferably, should be submitted to the Business Office. The Business Office will delete the item from the asset records and record any gain or loss on the disposition.

#### Obsolete Assets

Obsolete assets with no cash value should be reported to the Business Office on the asset disposition form, which includes a description, serial number and condition of the asset. The Business Office should inspect all worn out or obsolete property before it is discarded. The asset can then be removed from the asset records.

#### Missing or Stolen Assets

Any missing or stolen asset should be reported in writing to the Business Office as soon as its absence is discovered. The report should include the description, serial number, and other information about the lost item.

The Business Office should determine the proper course of action and should notify the School's insurance carrier and any outside authorities if deemed appropriate. If the asset is not recovered, it can be removed from the asset records.

#### Movement of Assets within the Organization

Movement of assets within the organization (e.g., from one School facility to another, in cases where there are multiple facilities) should be reported to the Business Office in writing for tracking and inventory purposes; the report should include a description, serial number and the name of the School location that is to receive the property.

## Employees Using Their Personal Assets

Employees may bring their personal tools, equipment or furniture for use at the School, subject to the approval of the Principal. To maintain proper segregation and control upon termination of any employees, any employee-owned tools, equipment or furniture to be used at the School should be reported to the Principal and the Business Office. The report should include the employee's name, a description of the item or items, identification numbers (if any), and the reason for using the item.

## Asset Tagging

When an asset is purchased, the Business Office is responsible for assigning and attaching an asset number tag to the property in a readily visible location. If an asset tag cannot be attached and the asset has no serial number, other means should be used to permanently identify the asset, such as engraving or heat stamping it with the School's name and a sequential number.

The Business Office maintains a detailed list of each capital asset item along with depreciation records. This documentation should include the name, asset class, description, serial number, asset tag number, date purchased, date placed in service, vendor, original cost, depreciation method, estimated useful life, accumulated depreciation, net book value, and any estimated salvage value.

Once a year the Business Office reviews a report that includes a list of assets assigned to each School location and any acquisitions, disposals and transfers during the past year and validates the report, noting any discrepancies.

## Leases

A lease can be classified as either a capital lease or an operating lease. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840-30, Capital Leases, describes the criteria for determining which of these two classifications applies. Under those criteria, a lease should be treated as a capital lease if any of the following are true when the lease is entered into:

- The lease transfers ownership to the School at the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75% or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using as the interest rate the lesser of the School's incremental borrowing rate or, if known, the lessor's implicit rate).

Any lease for which none of the four preceding statements is true, or that is immaterial in nature, will be recognized and accounted for as an operating lease. An operating lease is similar to a rental agreement in that the monthly lease costs are expensed.

The School, through the Business Office, will maintain a list or inventory of capital leases and operating leases; the list should include all relevant lease terms.



# Cash Receipts Policy and Procedures

## Objective

To establish proper controls and cash handling procedures throughout all School departments. Controls are required to safeguard against loss and to define responsibilities in the handling of cash. All departments receiving cash are designated as cash collection points. "Cash" may consist of currency, checks, money orders, credit card transactions, fed wires and electronic fund transfers.

## Cash Handling Procedures

1. All departments responsible for cash collection must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: receipt, deposit or reconciliation. All cash collections require two signatures – the individual collecting and handling the money, and the individual recording the money.
2. All checks, cash and credit card receipts must be protected by using a safe or lockbox until they are deposited. A secure area for processing and safeguarding funds received must be maintained and access restricted to authorized personnel.
3. All checks should be made payable to Cottonwood Charter School. Checks will be restrictively endorsed immediately upon receipt with "For Deposit Only". Post-dated checks should not be accepted and will be returned to the check writer.
4. The Depositor is responsible for making the deposit to the appropriate bank account.
5. Generally, the timely deposit of cash receipts requires a School to deposit receipts daily. However, it may not be practical or cost effective for the School that receives small amounts of cash on an irregular basis. In cases where the amounts of cash deposits are small and an adequate safekeeping facility is available, an aggregate un-deposited total may not exceed \$100 and may be retained in the School's safekeeping facility for a period not to exceed 5 business days. Although this option is available, the School must be aware that these monies must be deposited with the bank within 5 business days of receipt, even if the amount does not exceed \$100.
6. Under no circumstances will employees or students make disbursements from the un-deposited receipts. All cash or other receipts must be deposited with the bank, in total.
7. Any person delivering a deposit to the bank should take adequate precautions for their personal security and safety. If it is practical, more than one person should make the deposit.
8. Never mail cash or checks to the bank.
9. All funds received must be counted by totaling the cash, checks and credit card collections and recording the result on a Cash Tally Form.

10. Cash boxes with up to \$100 startup cash are available for events/fundraisers by completing a Fund Raiser Request form. Cash boxes with up to \$500 will be made available for ticket sales. All requests require a 48 hour notice in order for the School to be able to manage the cash needs. The startup funds must be included on the Cash Tally Form.
11. Always issue some type of receipt in return for cash received from students, parents, or others. Be sure to include at a minimum: date cash received, amount received, purpose and initials/signature verification. A receipt can be a pre-numbered slip, a pre-numbered ticket stub, etc.

## Fundraising

Each fundraising activity must be approved by the Principal or Principal's designee. In order to be approved, the individual planning the fundraiser must submit a proposal in advance of the event so that all fundraising efforts may be coordinated.

For sales of small items – for example fundraisers, cookouts, concessions, or supplies sales – use the Fundraising Inventory Form to create an inventory control sheet for items purchased, less items leftover to report items sold.

Services performed – for example car washes. Use the Fundraiser Service Form to keep a roster of which services were performed or how many cars were washed, then multiply by fee charged to report total collected.

Donations – Submit a completed Donation Information Sheet with the deposit for all cash donations and all gifts of property (tangible goods).

\*No staff member is to accept any special gifts or bonuses of more than nominal value offered by an outside supplier or vendor for any reason or purpose.

## Returned Checks and Improper Checks

The School should attempt to deposit returned checks a second time; if the check does not clear on the second attempt, the payment should be returned to the vendor and the general ledger account to which it was applied adjusted. No check should be withheld from the deposit unless it is legally imperfect (e.g., no maker signature), in which case the Business Office should immediately contact the payer and discuss the best method to remedy the imperfect check.

The School should never provide cash to any individual or organization in exchange for their personal checks.

## Wire Transfers

Wire transfers are a way to pay customers and vendors quickly.

Incoming wire transfers require the same documentation procedures as cash receipts and deposits. When the School's bank receives a wire transfer, it may notify the School by email, fax, or via its online banking site. This notification documents that the money has been received.

Only the Principal or the Principal's designee should be permitted to initiate an outgoing wire transfer. All outgoing wire transfers should be performed using the bank's secure website, and should include the Principal or Principal's designee as the secondary approver. Outgoing wire transfers should not be issued unless the secondary approver logs on to the bank's secure website and approves the transfer electronically.

## Cash Boxes

A portable cash box issued by the business office may be used to collect money at fundraising activities, ticket sales and other events or activities. Individuals who collect cash for fundraisers and activities for which a cash box is issued should safeguard the cash properly. Once all cash has been collected, it should be recorded on a cash count form. Two individuals should count the cash together, and both should sign and date the cash count form and remit the funds to the principal or business office. Every effort should be made to turn in the cash the same day as fundraiser or activity. Any funds collected but not turned in to the business office for the final counting and deposit to the bank should never be taken home or left in any unprotected environment. Instead, they should be sealed in a secured lockbox or some other secured facility on the School premises.

When the business office receives the cash box funds, the funds should be counted again by the business office staff member and a witness, and each should sign the cash count form as verification of their confirmation. The cash and the verified cash count form should be placed in a secured lockbox or some other secured facility until the cash is remitted to the bank for deposit.

Cash box proceeds should be controlled and processed in the same manner as other cash receipts. If the cash balance exceeds \$100, a bank deposit should be made the same day. Otherwise, all bank deposits should be made within 5 business days. No funds should be left in the cash box after deposit.

## Meals for Professional Development or other School Activities

1. School-related meals at meetings, professional development, and other school activities occur on a regular basis. If the meal is not pre-approved by Principal, the employee runs the risk of bearing the full cost of the meal if it is ultimately denied. For meals to be charged to the School or reimbursable to an employee, the employee must provide the following information: a. Purpose of the meeting or agenda; b. Items ordered as reflected on a detailed receipt; c. Number of individuals in the party; d. Names of the attendees or a sign-in sheet; e. Pre-approval by the Principal
2. For meals during professional development: a. Non-School days, staff may purchase meals for staff for meetings lasting three or more hours. b. On School days, staff may purchase meals or

snacks for staff meetings. Any meals that fall outside of these parameters must be Principal approved.

3. Each department has a budget of \$20/employee/event for meals for team building, professional development and morale. Any meals that fall outside of these parameters must be Principal approved.

# CHAPTER 6

## Interschool Lending and Borrowing Policy

The Board of Directors of Cottonwood Charter School (the “School”) hereby adopts the following policy on borrowing and lending between the School and related public charter schools which operate based upon the “Inspire Education Model” described herein.

### **A. Purpose**

The School may sometimes experience cash shortages as a result of lags in state funding due to rapid growth, delays and deferrals, government revenue reductions, and less than projected average daily attendance, among other reasons. This Interschool Lending and Borrowing Policy authorizes the School to temporarily lend and borrow funds within the School’s charter school network to ensure uninterrupted educational services and to safeguard against funding shortfalls.

### **B. Definitions**

“Authorized Officer” shall mean the Chief Executive Officer of School or his or her designee.

“Board” shall mean the Board of Directors of the School.

“District Office” shall mean Provenance, a nonprofit public benefit corporation doing business as Inspire District Office, which contracts to provide specific goods and task-based services to School.

“Inspire Education Model” or “Inspire model school” means a public charter operating an independent study program based upon the principles of academic flexibility and use of intellectual property licensed by Provenance, developed out of years of experience of Inspire Charter Schools.

“Related School” shall mean the following public charter schools whose operations are based upon the Inspire Education Model: Alder Grove Academy, Clarksville Charter School, Granite Mountain Charter School, Heartland Charter School, Inspire Charter School – Central, Inspire Charter School – Los Angeles, Inspire Charter School – North, Inspire Charter School – Kern, Inspire Charter School – South, Lake View Charter School, Lewis and Clark Charter School, Mission Vista Academy, Monarch River Academy, Pacific Coast Academy, Sequoia Canyon Charter School, The Cottonwood School, Triumph Academy, West Coast Academy, Winship Community School, and such other schools as may be Inspire-model schools of which Inspire Charter Schools was or is a statutory member.

## **C. Interschool Lending & Borrowing**

The School may engage in short-term receivable (borrowing) and payable (lending) funding with Related Schools and the District Office under the following terms and conditions.

### **1. Lending**

If a Related School is experiencing a funding shortfall, and the Authorized Officer determines that the School has sufficient surplus funds, the School may temporarily loan funds to a Related School to cover reasonable and necessary expenses and liabilities arising from Related School's operation of a public charter school based upon the Inspire Education Model. The School has sufficient surplus funds if it has adequate current and projected reserves that will support the School's budgeted spending, and if the loan will not adversely affect the School's status as a going concern or exceed the fiscal year duration.

The School shall make no loans to the District Office. This prohibition shall not prevent the District Office from loaning money to the School or temporarily transferring School funds to Related Schools, so long as these services are performed at the direction of the Authorized Officer under the Board's ultimate decision-making authority. This prohibition does not extend to fees paid by the School to the District Office for goods and services provided.

### **2. Borrowing**

If the School is experiencing a projected funding shortfall, and a Related School or the District Office has sufficient surplus funds, the School may accept a temporary loan from the Related School or from the District Office to cover reasonable and necessary expenses and liabilities arising from the School's operation of a public charter school based upon the Inspire Education Model.

### **3. Procedure**

Requests to loan or borrow funds under the Policy shall be documented in writing by and through the Authorized Officer, according to such procedures as the Authorized Officer may determine are necessary and appropriate, subject to the approval limits imposed herein. The District Office may act as a conduit for the purposes of facilitating the transfer of funds between the School and Related Schools under this policy.

At the Authorized Officer's discretion, approved funding under this policy may be via wire transfer, check, or other approved method.

### **4. Repayment/Reconciliation**

At the end of each fiscal year, the School shall reconcile funds loaned and borrowed under this policy. Funds loaned and borrowed under this policy that are settled or result in a zero balance as of the end of the fiscal year, are not subject to any repayment terms or interest accruals.

Any funds loaned or borrowed under this policy that are not fully repaid as of the close of the fiscal year, may result in and be converted to a loan agreement or other appropriate written instrument in order to formally document the amount owed between the intracompany accounts and the repayment terms.

**D. Authority**

The Board hereby delegates to the Authorized Officer authority to approve loans and borrow funds under this policy in an amount of \$50,000 or less, per transaction and cumulatively, and to take any other actions that are reasonable and necessary to fulfill the purposes of this policy. Any lending or borrowing by the School in an amount greater than \$50,000, per transaction or cumulatively, shall be brought to the Board for approval. The School shall not make any loan to a Related School that will negatively impact the School's own budgeted spending (taking into account current and projected enrollment revenue), affect its status as a going concern, or exceed one (1) year in duration. The School shall not borrow funds from a Related School under repayment terms that will exceed one (1) year in duration. In the event repayment of monies loaned or borrowed will exceed one (1) year, such transaction must be renewed by the Authorized Officer or Board, as applicable.

**E. Accounting**

The identity, origin and source of funds loaned or borrowed under this policy shall remain known and identifiable and the transactions themselves shall be open, auditable and accountable. Funds loaned under this policy to more than one Inspire school shall not be blended or commingled.

The Authorized Officer will cause to be maintained a ledger of all transactions under this policy, which includes amounts, dates and sources of all funds loaned to and borrowed by the School under this policy. The Authorized Officer shall provide the Board with an up-to-date copy of the general ledger at regular Board meetings and upon request.

**F. Supremacy**

This policy shall replace any pre-existing School policies and procedures concerning the subject matter herein and shall supersede any contrary provision in any existing School policies or procedures.

# CHAPTER 7

## Preparation of Payroll

### CONTROL OBJECTIVE

To ensure that payment of salaries and wages are accurately calculated.

#### Major Controls

##### A. Internal Accounting Controls

Time records are periodically reconciled with payroll records by our third party Back-Office.

#### Procedures

1. Employee time sheets are approved by the Principal or Principal's designee. All deviations from normal work schedules as determined by a staff member and their supervisor are approved by the appropriate supervisor.
2. The total time recorded on time and attendance system and the number of employees is calculated by the payroll system and reviewed by the Business Office and the Back-Office provider.
3. Recorded hours from the time clock punches are communicated to the Back-Office electronically.
4. The payroll documents received from payroll software (e.g., calculations, payrolls and payroll summaries) are compared with employee punches, pay rates, payroll deductions, compensated absences etc. by the operations vendor and the Back-Office provider.
5. The Back-Office provider verifies gross pay and payroll deductions.
6. The total hours and number of employees are compared with the totals in the Payroll Register by the Back-Office provider.
7. The Payroll Register is reviewed and approved by the Business Office.

### PAYROLL PAYMENT

#### Control Objective

To ensure payment for salaries and wages by check, direct deposit, cash or other means is made only to employees entitled to receive payment.



## PAYROLL WITHHOLDINGS

### Control Objective

To ensure that payment withholdings are correctly reflected and paid to the appropriate third parties.

### Major Controls

1. Reconciliation of Payment and Payroll Withholdings

Payroll withholdings are recorded in the appropriate General Ledger control accounts and reconciled with payments made to third parties.

2. Internal Accounting Controls

The in-house payroll software calculates payroll withholdings, which are reviewed and verified by the Back-Office provider.

### Procedures

1. The web based payroll software calculates payroll withholdings for each employee. These are summarized by pay period and recorded in General Ledger.
2. Payments for payroll withholdings are reconciled with the amounts recorded in the General Ledger control accounts by the Back-Office provider.
3. The Back-Office provider reviews the accuracy and timeliness of payments made to third parties for payroll withholdings.
4. Original withholding and benefit election forms, maintained in the employee file, are prepared by employee and reviewed and approved on a periodic basis by the Back-Office provider.

## PERSONNEL REQUIREMENTS

### Control Objective

To ensure that the School hires only those employees, full or part-time, it absolutely needs and exerts tight control over hiring new employees.

### Major Controls

## New Employees

1. Requests for new employees are initiated by the Principal or other appropriate staff member and compared with the approved annual personnel budget.
2. New employees complete an Application for Employment.
3. New employees complete all necessary paperwork for payroll.
4. Employee is fingerprinted. Fingerprint clearance must be received by School before any employee may start work.

## Paid Time Off (PTO)

1. Paid time off (PTO) provides A-Basis (12 Months) school based employees with an entitlement of days away from work with pay.
2. Temporary employees, part time employees, workers being paid short or long-term disability insurance, and workers being paid workers' compensation are not eligible to receive or accumulate PTO.
3. On July 1st all A-Basis (12 Months) school based employees are credited 10 days of PTO which are accumulated throughout the contracted year.
4. PTO will not accumulate during any unpaid leave of absence.
5. Upon separation of employment, employees will be paid their earned PTO based on their date of separation and their hourly rate of pay.
6. The School monitors vacation and sick time using a web-based HR system.