

# **LA's Promise Charter Schools Fiscal Policies & Procedures**

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# Introduction

The Governing Board of LA's Promise Charter Schools has reviewed and adopted the following policies and procedures to ensure the most effective use of the funds of LA's Promise Charter Schools to support its mission and to ensure that the funds are budgeted, accounted for, expended and maintained appropriately.

## Accounting Procedures

This section covers basic accounting procedures for the organization. The accounting procedures used by the organization shall conform to Generally Accepted Accounting Principles (GAAP) to ensure accuracy of information and compliance with external standards.

### Basis of Accounting

**Policy:** The organization uses the accrual-basis of accounting at year-end, meaning that revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of when the receipt or payment of cash takes place.

**Procedures:**

- Throughout the fiscal year, revenue is recorded in the month in which it is received and expenses are recorded in the month in which they occur.
- At the close of the fiscal year, all revenue earned in the fiscal year, but not received is accrued. All expenses that have been incurred but not paid are also accrued. This ensures that the year-end financial statements reflect all revenue earned and all expenses incurred during the fiscal year.
- Year-end books, inclusive of adjusting journal entries, are closed by December 15, the date by which the audit report must be submitted to the state controller and respective reporting agencies.

### Bank Reconciliations

**Policy:** Bank reconciliation and approval will occur on a monthly basis.

**Procedures:**

- The ExED Accounting Associate or Senior Accounting Associate (AA/SAA) assigned to the organization will print the bank statements directly from the online banking system. If online banking is unavailable, the organization will make copies of the original statement available to ExED.
- The ExED AA/SAA will prepare the bank reconciliation.
- The Accounting Manager or Vice President, School Finance assigned to the organization will review and approve the bank reconciliation by initialing and dating the report.

## **Record Keeping**

**Policy:** Financial records will be retained for a minimum of seven years or as outlined in the 990 policy.

### **Procedures:**

- ExED will retain financial records, including transaction ledgers, canceled/duplicate checks, attendance and entitlement records, payroll record, and any other necessary fiscal documentation at its site until the prior year audit has been completed.
- ExED will deliver financial records to the organization for storage for the remaining years of the seven year retention period.
- At the discretion of the Governing Board or Chief Executive Officer (CEO), certain documentation may be maintained for a longer period of time.
- Financial records will be shredded at the end of their retention period.
- Backup copies of electronic and/or paper documentation should be stored in a secure location.

## **Internal Controls**

The organization employs several safeguards to ensure that financial transactions are properly authorized, appropriated, executed and recorded.

All documentation related to financial matters will be completed by computer, typewriter, or ink. Completion by pencil is not permitted.

## **Lines of Authority**

### **Governing Board**

- Appoints the CEO and Reviews the CEO's performance annually and establishes the salary

- Provides short term and long term strategic guidance to the CEO
- Appoints someone else to perform the duties of the CEO in the case of absence

### **Schools Committee**

- The Governing Board, as defined in the LA's Promise Bylaws, shall delegate to a schools committee consisting of five (5) to seven (7) members of the Board all relevant powers and authority to manage and oversee charter school operations and activities, including without limitation, as to financial and accounting matters, academic standards, legal requirements, insurance and general compliance
- Approves the charter schools' fiscal policies and procedures and delegates administration of the policies and procedures to the CEO
- Approves the schools' annual financial audit by December 15<sup>th</sup>
- Reviews and approves the schools' annual budget by July 1<sup>st</sup>
- Reviews annual and monthly financial statements, including the monthly check register and the ExED-prepared financial dashboard and budget-to-actual variance analysis.
- Approves the opening and closing of bank accounts and the list of authorized signers and the organization address on record.
- Approves all third-party loans.
- Approves inter school borrowing
- Approves the opening of business credit cards.
- Commissions the annual financial audit by an independent third party auditor approved by the State of California
- Reviews and approves all contracts over (\$25,000).

### **CEO**

- Is responsible for all operations and activities related to financial management.
- Ensures that the fiscal policies and procedures are current, meaning that they have been reviewed and updated annually and when necessary have been presented to the Schools Committee for Approval.
- Develops the annual budget with ExED.
- Reviews and approves all contracts under (\$25,000).
- Reviews and approves expenditures over \$5,000.
- Oversees the adherence to all internal controls.

### **CEO Designee**

- Develops the annual budget with ExED.
- Reviews and approves expenditures over \$2,500.

## **Director of Schools / CAO**

- Reviews and approves all expenditures after Principal

## **Principal**

- Develops the annual budget with ExED.
- Reviews and approves all expenditures.

## **Segregation of Duties**

**Policy:** The organization's financial duties shall be distributed among multiple people to help ensure protection from fraud and error. The distribution of duties aims for maximum protection of the organization's assets while also considering efficiency of operations.

### **Procedures:**

- Procedures for each section of this document will identify the position responsible for carrying out each function so that no single person or entity has sole control over cash receipts, disbursements, payrolls, and reconciliation of bank accounts.
- All administrative employees are required to take annual vacations of at least five (5) consecutive days. During the mandatory vacation, responsibilities shall shift to another employee who has been cross-trained in those responsibilities.

## **Budgeting Process**

**Policy:** In consultation with the CEO, CEO Designee, Principal and Schools Committee, ExED will prepare the annual budget for approval by the Governing Board. The budget is to be approved by the Governing Board prior to the start of each fiscal year.

### **Procedures:**

- The CEO will work together with the CEO Designee, Principal, and all program managers to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- ExED will ensure that the budget is developed using the organization's standard revenue recognition and cost allocation procedures.
- ExED, in consultation with the Schools Committee, will set a target net income goal to meet strategic goals and/or comply with existing loan covenants.
- ExED will present a draft budget to the Schools Committee prior to the end of the fiscal year.

- The Schools Committee shall review and approve a recommended fiscal year budget and submit it for approval to the Governing Board.
- The Governing Board will review and approve the budget no later than its last meeting prior to the start of the fiscal year.
- Additional changes to the budget that result in the total expenses increasing by 10% or total revenue decreasing by 10% will require the updated budget to be reviewed by the LA Promise Fund Schools Committee for approval. Comparison of net income will subsequently also be reviewed by the LA Promise Fund Schools Committee. Upon approval of the updated budget by the LA Promise Fund Schools Committee, the LA Promise Fund Schools Committee will recommend or waive the requirement to review and approve the updated budget by the LA Promise Fund Governing Board. Revisions to the budget below the 10% threshold of significance for revenue or expenses, as detailed above, will not require re-approval by the LA Promise Fund Schools Committee or Governing Board.
- ExED will prepare financial statements displaying budget vs. actual results for presentation to the Schools Committee and/or Governing Board as needed.

## Internal Financial Reports

**Policy:** The organization reviews regular financial reports on a monthly basis.

### Procedures:

- ExED is responsible for producing the following year-to-date reports within 45 days of the end of each month (in August through June): Income Statement including budget to actual variances, Balance Sheet, Financial Analysis, and Cash Flow Projection.
- ExED will also present a check register at each board meeting.
- The CEO, CEO Designee, Principal and Board Schools Committee will review financial reports each month.
- ExED and/or the Schools Committee will present the financial reports to the Governing Board at each meeting.

## Audit

**Policy:** The Schools Committee will annually commission a qualified independent certified public accounting firm to conduct an audit of the organization's financial statements in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, and, if applicable, the *U.S Office of Management and Budget's Circular A-133*. The selected audit firm must be familiar with these standards, related State of California and Charter School



regulations, and the *Standards and Procedures for Audits of California K-12 Local Education Agencies* Audit Guide (which can be found at <http://eaap.ca.gov/audit-guide/current-audit-guide-booklet/>), in order to properly conduct the audit engagement.

After six consecutive fiscal years, the organization will contract with a new audit firm or require a change/rotation in audit partners in the seventh year, unless a waiver is obtained from the Educational Audit Appeals Panel. (Education Code 41020).

**Procedures:**

- The Schools Committee will appoint an Audit Committee of one or more persons by January 1 of each year.
- The Audit Committee may include persons who are not members of the board, but may not include any members of the staff of the corporation, including the president or CEO or the treasurer or CFO. In addition, any person with expenditure authorization or recording responsibilities within the organization may not serve on the committee.
- The Audit Committee will be responsible for contracting with an audit firm by March 1 of each year, unless the existing contract is a multi-year contract.
- The Audit Committee will be responsible for reviewing the results of the annual audit and developing a corrective action plan to address all relevant weaknesses noted by the auditor.
- The Schools Committee will review and approve the audit no later than December 15.
- The audit firm will be responsible for submitting the audit to all reporting agencies no later than December 15.

## **Tax Compliance**

### **Exempt Organization Returns**

**Policy:** The audit firm contracted to conduct the annual financial audit will prepare the annual Federal Form 990 and the California Form 199. The tax forms are to be filed no later than May 15 of each year.

**Procedures:**

- ExED will work with the tax preparer to complete the organization's tax returns.
- The CEO will review the tax returns before submitting to the Schools Committee for final approval prior to May 15.

- The Form 990 will be available to the public via GuideStar, an information service specializing in reporting on U.S. nonprofit companies.

### **Quarterly/Annual Payroll Reports**

**Policy:** ExED will prepare the state and federal quarterly and annual payroll tax forms and will submit the forms to the respective agencies within established deadlines.

**Procedures:**

- ExED will prepare employee W2s by January 31 each year.
- ExED or the third-party payroll provider will file quarterly payroll tax reports (941 and DE9) by the filing deadline. ExED files the DE9 forms for SUI only, and the third-party provider files all other DE9 forms and the 941 forms.

## **Revenue & Accounts Receivable**

### **Cash Receipts**

**Policy:** Cash receipts (including check or cash payments received via mail or in person and deposits received via Electronic Fund Transfer) shall be recorded completely and accurately to prevent the misappropriation of assets.

**Procedures:**

- For each fundraising or other event in which cash or checks will be collected, the CEO or Principal will designate a staff member to be responsible for managing the process to collect and hold all cash and checks related to the event.
- The designee will record each transaction in a receipt book or document each item sold at the time the transaction is made in a log or similar.
- The designee shall give the cash, checks, deposit summary, and any related supporting documentation to the Office Manager immediately.
- The Office Manager and the designee will recount and reconcile the amount received with the supplied supporting documentation and each will sign for approval. The office manager will immediately put the funds in a secure, locked location.
- Mail (including anything official such as governmental notices, invoices and checks) received at the school must be opened by office staff members and stamped with a “received” stamp. If possible, the person opening the mail should not also be responsible for making bank deposits.

- Every other day, the Office Manager will log cash or checks received into the Cash Receipts Book. Copies of Cash Receipt records should be sent to ExED for posting into the general ledger.
- When utilizing merchant or online web contribution services, appropriate segregation of duties shall be in place to ensure that no single person is able to perform incompatible functions (custody, recording, approving).

## Deposits

**Policy:** The Officer Manager is responsible for making bank deposits. Deposits totaling less than \$2,000 will be made weekly. Deposits totaling more than \$2,000 will be deposited within 72 hours.

### Procedures:

- The Office Manager will restrictively endorse each check received (e.g. For Deposit Only LA's Promise).
- The Office Manager will prepare a deposit packet itemizing the amount, source, and purpose of each check or cash payment received. The deposit packet will include a copy of each check and a bank deposit slip.
- The Principal will review and approve the deposit packet.
- The Office Manager will make the deposit and attach the deposit receipt to the deposit packet.
- The Office Manager will forward the deposit packet to ExED.
- ExED will reconcile the cash receipts to the deposit slip and the bank statement as part of the monthly close process.

## Expense & Accounts Payable

### Payroll

**Policy:** Employees are paid on a semi-monthly basis (5<sup>th</sup> and 20<sup>th</sup> of each month). Under the supervision of the Principal, ExED will be responsible for processing payroll through a third-party provider.

### Time Sheet Preparation & Approval

**Policy:** All non-exempt employees are required to record time worked, holidays, and leave taken for payroll, benefits tracking, and cost allocation purposes.

**Procedures:**

- Non-exempt employees will be responsible for completing a timesheet, recording hours worked and vacation, sick or holiday time if applicable.
- Each non-exempt employee will approve his/her timesheet via his/her signature or submission through the payroll system.
- Each supervisor will review and approve his/her employees' timesheets by signing each timesheet or approving each timesheet in the payroll system.
- Supervisors will return, either physically or via the payroll system, incomplete timesheets to the employee for revision.
- If an employee is unexpectedly absent and therefore prevented from working on the last day of the pay period or turning in his/her timesheet, the employee is responsible for notifying the signatory supervisor or for making other arrangements to submit the timesheet. The employee must still complete and submit the timesheet upon return.
- Salaried employees are responsible for requesting leave, and supervisors are responsible for tracking leave taken by salaried employees.

**Payroll Additions, Deletions, and Changes**

**Policy:** The CEO, Principal or CEO designee are authorized to approve all payroll changes within the scope of his/her budget authority.

**Procedures:**

- The Principal or designee will submit, either physically or electronically via payroll system, new hire or employee change paperwork to ExED prior to the payroll deadline for the first pay period in which the change or addition is to go into effect.

**Payroll Preparation & Approval**

**Policy:** ExED will prepare payroll in accordance with the organization's payroll calendar.

**Procedures:**

- Five days prior to each check date, the Principal will review electronic time cards within the payroll system to ensure that they are complete and approved for that pay period.
- The ExED Accounting Analyst, Associate, or Senior Associate assigned to the organization will prepare payroll upon notification from the Principal that payroll for that pay period is approved.
- Once processed, the payroll processor ExED Accounting Manager (AM) or Vice President (VP), School Finance will review the Payroll Review Report for accuracy and

completeness and will review the Employee Change Report to verify the appropriateness of all changes.

- The ExED Accounting Manager or Vice President, School Finance will submit payroll to the 3<sup>rd</sup> party payroll provider for check (if applicable) and direct deposit processing.
- The 3<sup>rd</sup> party payroll provider will deliver the payroll package to the organization address on file one day prior to the check date (if applicable).
- The Principal or designee will be responsible for opening the payroll package, reviewing reports for accuracy, and notifying ExED of any missing check (if applicable).
- The Principal or designee will distribute pay stubs to employees on the check date (if applicable).

### **Pay Upon Termination**

**Policy:** Employees who are discharged shall be paid all wages due at the time of termination. (Labor Code § 201) Employees who quit without giving prior notice shall be paid wages within 72 hours (inclusive of weekends and holidays). If the employee gives at least 72 hours' notice, the wages must be paid on the last day worked. (Labor Code § 202)

#### **Procedures:**

- The Principal or designee will inform ExED of any voluntary or involuntary termination immediately and will provide an accounting of the hours/days worked since the last payroll and any accrued Paid Time Off (PTO) to be paid.
- ExED will calculate the final check based on the hours/days worked and the employee's pay rate.
- ExED will prepare the final check and provide to the school in accordance with the timelines required by law. The organization is responsible for creating and obtaining the employee's signature on the final check acknowledgement.
- An employee who quits without 72 hours' notice may request that his or her final wage payment be mailed to a designated address. The date of mailing will be considered the date of payment. (Labor Code § 202)
- The final check may not be provided via direct deposit.
- The organization must provide ExED with a list of non-returning staff two weeks prior to the last day of instruction to ensure that final checks are distributed in accordance with labor law.

### **Purchases & Procurement**

**Policy:** All purchases must be authorized by the Principal. Expenditures in excess of \$2,500 must also be authorized by the CEO Designee, and expenditures in excess of \$5,000 must also be authorized by the CEO. Any expenditure in excess of \$5,000 for the purchase of a single item

should have bids from three (3) suppliers if possible. Any food contract that exceeds \$150,000 (the small purchase threshold set by the US Department of Agriculture) shall follow a competitive bid process.

Goods or services purchased with federal funds must follow federal procurement guidelines as outlined in Education Department General Administration Regulations (EDGAR), Part 80—Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, Sub-part C (Post Award Requirements), Section 80.36 (Procurement) located at: <http://www2.ed.gov/policy/fund/reg/edgarReg/edgar.html>.

The Schools Committee must approve any contract over \$25,000.

**Procedures:**

- All purchases over \$250 require a purchase requisition.
- The Principal will approve the purchase requisition after determining:
- If the expenditure is budgeted.
- If funds are available for the expenditure.
- If the expenditure is allowable under the appropriate revenue source.
- If the expenditure is appropriate and consistent with the vision, approved charter, school policies and procedures and any related laws or applicable regulations.
- If the price is competitive and prudent and proper bidding procedures have been followed.
- The Schools Committee will review expenditures during each board meeting through the review of a check register that will list all checks written since the Schools Committee's last meeting and will include the check #, check date, payee, and check amount.

**Contracts**

- The CEO or designee will consider in-house capabilities to accomplish services before contracting for them.
- The CEO Designee will keep and maintain a contract file evidencing the competitive bids obtained (if any were required) and the justification of need for any contract over \$5,000.
- The CEO Designee or designee will confirm that the contractor is not listed in the US government's Suspended or Disbarred list via a search of the System for Award Management ([www.sam.gov](http://www.sam.gov)). The CEO Designee will keep a record of all searches.
- The CEO Designee or designee will ensure that a written contract clearly defining work to be performed is on file for all contract service providers (i.e. consultants, independent contractors, subcontractors).

- Contract service providers must show proof of being licensed and bonded, if applicable, and of having adequate liability insurance and workers' compensation insurance currently in effect. The CEO may also require that contract service providers list the school as an additional insured.
- The CEO will approve proposed contracts and modifications in writing.
- Contract service providers will be paid in accordance with approved contracts as work is performed.
- The CEO or designee will be responsible for ensuring the terms of the contracts are fulfilled.
- Potential conflicts of interest will be disclosed upfront, and the CEO and/or Member(s) of the Governing Board or any Board Committee with the conflict will excuse themselves from discussions and from voting on the contract.

## Credit Cards

**Policy:** Organization credit cards shall only be issued with the formal approval of the Schools Committee and may only be used for organization-related expenditures.

### Procedures:

- Purchase requisition and other documentation requirements apply to credit card purchases.
- The bank and/or consumer credit card (Amazon, Home Depot, Staples, etc.) will be kept under the supervision of the card holder.
- An itemized receipt should be turned in for all purchases.
- If receipts are not available, missing or contain an inappropriate expense, the individual making the charge will be held responsible for payment.
- In the case of a missing receipt, a missing receipt form shall be submitted and approved by the Principal. Should the Principal be required to complete a "missing receipt" form, authorization must be granted by the CEO.
- Credit cards will bear the names of both the organization and the cardholder as authorized by the Schools Committee.
- No personal charges are permitted.
- All reward points or discounts are property of the school. Use of such points or discounts is at the discretion of the CEO and should be used for the benefit of the organization.
- Upon termination, the employee shall immediately return the credit card and all receipts to the Principal.

## Debit Cards

**Policy:** Organization debit cards are not permitted.

**Procedures:**

If a debit card is automatically issued by the bank, the CEO will:

- Contact the bank to deactivate debit card service from the account.
- Destroy the physical debit card.

## Independent Contractors

**Policy:** The organization will comply with all applicable federal and state laws relative to the use of independent contractors.

**Procedures:**

- The CEO has the authority to establish a contract with an independent contractor and is responsible for verifying that the person is appropriately classified as an independent contractor and not as an employee and for obtaining a Form W-9.
- School employees may not serve as independent contractors.
- Contract service providers must show proof of being licensed and bonded, if applicable, and of having adequate liability insurance and workers' compensation insurance currently in effect. The CEO may also require that contract service providers list the school as an additional insured.
- All services performed by independent contractors will be processed as accounts payable.
- At the close of the calendar year, ExED will issue a Form 1099 to all independent contractors in accordance with IRS regulations.

## Invoice Approval & Processing

**Policy:** The Principal must approve all invoices. Director of Schools will approve following Principal. Invoices over \$2,500 must receive approval from the CEO Designee, and invoices over \$5,000 must receive approval from the CEO. Any invoice over \$25,000 must also receive approval from a member of the Schools Committee. The following procedures will be performed either manually or electronically.

**Procedures:**



- The Office Manager will open and review invoices and bills and will notify the CEO or Principal of any unexpected or unauthorized expense.
- When receiving tangible goods from a vendor, the Office Manager will trace the merchandise to the packing list and note any items that were not in the shipment.
- The Office Manager will code invoices to the correct budget line.
- Invoices are then routed to the Principal for payment approval.
- If the vendor is a sole proprietor or a partnership (including LP, and LLP) providing a service, the Office Manager will obtain a W-9 from the vendor prior to submitting any requests for payments to ExED.
- ExED will review the invoice for sufficient supporting documentation, verify the coding, and process payment.

## Petty Cash

**Policy:** School sites will not manage or keep petty cash.

## Cash Disbursements

**Policy:** Bank checks will be issued upon receipt of appropriate documentation (e.g. vendor invoice, purchase order, packing slip, etc.).

### Procedures:

- Once an invoice is approved by the Principal (and respective approver as outlined above) for payment, the ExED Accounting Analyst will prepare an in-sequence check and will submit the check to the ExED AM or VP.
- The ExED AM or VP will review the supporting documentation for completeness and the check for accuracy and will sign the check with the CEO's facsimile signature stamp, which is maintained in a secured location when not in use.
- ExED will distribute the check as follows:
  - Original – mailed or delivered to payee
  - Duplicate or voucher – attached to the invoice and filed by vendor name by an ExED accountant.
- Should a check need to be voided, "VOID" will be written in ink on the signature line of the check.

## Wire Transfers

**Policy:** Wire transfers can be executed by ExEd as a means of alternative payment method to check payment upon receipt of appropriate documentation and approvals, as outlined with invoice processing.

Wire transfer requests otherwise over \$5,000 must receive approval from a member of the Schools Committee. In such cases, wire transfers initiated by the client or ExED will be executed upon receipt of appropriate documentation (e.g. vendor invoice, purchase order, packing slip, etc.).

**Procedures for ExED executed wire transfers:**

- ExED will initiate and execute wire transfers with supporting documentation and approvals for the following:
  - Routine wires initiated and executed by ExED:
    - Medical, Vision and Dental Premiums
    - Supplemental health benefits (e.g. AFLAC)
    - Grant service payment with existing MOU
    - i.e. semi-monthly Payroll, LACOE Retirement contributions
- All other ExED executed wire transfers will adhere to the following procedures:
  - CEO will review all supporting documentation and approve. The school will then send all documentation to ExED
  - ExED will execute the wire transfer

**Procedures for client initiated and executed wire transfers:**

- Someone other than the CEO (wire approver) shall prepare all supporting documentation for the wire transfer
- CEO will review all supporting documentation and approve in writing
- School will send all documentation to ExED

## **Employee and Volunteer Expense Reimbursements**

**Policy:** The organization will reimburse pre-authorized school-related expenses that are accompanied by an original receipt or other appropriate documentation. Only the CEO may incur school-related expenses without pre-approval. The Principal may incur school-related expenses without pre-approval so long as they are \$2500 or less and are within the constraints of the schools budget (receipts will still be required).

**Procedures:**

- An employee or school volunteer seeking to make a school-related purchase must obtain pre-approval from the Principal or CEO.
- Employees will submit signed expense reports monthly, as necessary, to the Principal or CEO for approval. Original receipts or other appropriate documentation (e.g. e-mail receipt) must be attached to the expense report.
- CEO expense reports must be approved by a member of the Schools Committee.
- The Office Manager will submit the approved expense report and supporting documentation to ExED.

- ExED will issue a reimbursement check within ten business days of receipt of appropriate and complete documentation.
- Employees will submit expense reports within the fiscal year in which the expenses were incurred.
- The organization reserves the right to refuse reimbursement for any inappropriate expenses made.

## **Travel Expenses**

**Policy:** The CEO or Principal must pre-approve all school related travel. Mileage will be reimbursed at the organization-approved mileage rate, not to exceed the current IRS reimbursement rate.

### **Procedures:**

- For the purposes of mileage reimbursement, where a trip is commenced or terminated at the employee's home, the distance traveled shall be reduced by the employee's home-to-office commute distance.
- Employees will be reimbursed for overnight stays at hotels/motels when pre-approved by an administrator and the event is more than 50 miles from either the employee's residence or the school site. Hotel rates will be negotiated at the lowest level possible, including the corporate, nonprofit or government rate if offered, and the lowest rate available.
- Employees will be reimbursed up to the established per diem rate found at (<http://www.gsa.gov/portal/category/100120> - US Government Rates) for any breakfast, lunch, dinner, or incidental expense that is not included as part of the related event. Employees will be responsible for any excess expenses beyond the established per diem rate.
- Transportation expenses such as airfare will be purchased at the lowest rate available.
- Employees should utilize bus/shuttle service whenever possible. When traveling in groups, taxis may be more economical. Employees should choose between long-term parking or a taxi based on whichever is the more economical for the organization.
- After the trip, the employee must enter all of the appropriate information on an expense report, attach original receipts, and submit it to the CEO or Principal for approval and then on to ExED for processing.

## **Governing Board & School Committee Expenses**

- The individual incurring authorized expenses while carrying out the duties of the school will complete and sign an expense report and attach original receipts.

- The CEO and/or another board member will approve and sign the expense report, and submit it to ExED for payment.

## Asset Management

### Cash Management and Investments

**Policy:** All funds will be maintained in high quality financial institution or invested with the following objectives in order of priority; preservation and safety of principal, liquidity, and yield.

**Procedures:**

- The CEO will obtain Schools Committee approval before opening or closing a bank account.
- Schools Committee will adopt an investment policy before funds are to be invested.

### Capital Equipment

**Policy:** The organization capitalizes any item, purchased or donated, with a value of \$1,000 or more and with a useful life of more than one year.

**Procedures:**

- ExED will maintain a ledger of all capitalized items. The ledger will include the original purchase price and date and a brief description of the asset.
- The organization will take a physical inventory of all assets within 90 days of the end of each fiscal year, indicating the condition and location of the asset.
- The CEO will be notified of all cases of theft, loss, damage or destruction of assets.
- The CEO Designee will submit to ExED written notification of plans for disposing of assets with a clear and complete description of the asset and the date of the disposal.

### Loans

**Policy:** The Schools Committee will approve all loans from third parties. In the case of a long-term loan, approval may also be required from the chartering authority in accordance with the terms of the charter and/or other lenders in accordance with the loan documents.

Employee loans, including salary advances, are not allowed.

**Procedures:**

- The CEO and/or Schools Committee designee shall review and sign the promissory note before funds are borrowed.
- Loan agreements should specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.
- Loan covenants and reporting requirements are to be acknowledged by the Schools Committee at the time of adoption.

## **Inter School Borrowing**

**Policy:** The LA's Promise Governing Board of Directors agrees to a reciprocal loan arrangement between its charter schools subject to the following terms and conditions:

### **Procedures:**

- To help finance a cash flow shortfall, a charter school may borrow up to a reasonable amount to cover the shortfall so long as the school(s) providing the loan do not experience a negative cash flow nor experience a cash-reserves dip below the approved threshold for the current fiscal year.
- The CEO or CEO designee will present the options and borrowing scenario to the Schools Committee who will review the then-current cash flow forecasts (to be provided by ExED) for the charter schools and authorize a loan only in the event that the cash flow forecast reflects that the loan can be repaid within 36 calendar months of it being made.
- Any such loans will be made on an interest free basis.
- The CEO or CEO designee will prepare an inter school borrowing agreement to specify all applicable terms, including the reason for borrowing and the repayment schedule.
- The CEO or CEO designee will then present the agreement to the Schools Committee for formal approval.
- The CEO or CEO designee will then relay the information to ExEd to initiate the transfer of funds

## **Insurance**

**Policy:** The organization will maintain insurance with a high quality insurance agency at all times for:

- General Liability
- Property
- Workers' Compensation
- Professional Liability

- Directors' and Officers' Coverage

Umbrella and student accident policies are considered prudent add-ons.

**Procedures:**

- The CEO will carefully review insurance policies on an annual basis prior to renewal to determine compliance with Charter authorizer and any applicable loan covenant requirements.
- The CEO Designee will forward to ExED all insurance policies and related documents (e.g. certificates of insurance, claim forms, etc.).

## **Parking Lot Liability**

**Policy:** Parking lot related incidences are not covered under any school insurance policy. The organization assumes no liability for damage to cars unless a student is observed by an adult accidentally causing damage to a vehicle while engaged in a school activity.

**Procedures:**

- If a student willfully causes damage the student's parent or guardian is responsible.
- If a parent or other visitor causes damage, that individual is responsible.
- If an employee causes damage, the employee is responsible.
- If an unknown person causes damage and there is no witness, the affected individual would determine if he/she has applicable coverage through his/her individual insurance policies.

## **Operating Reserves**

**Policy:** The organization will ensure adequate cash balances to meet annual cash flow needs. The target minimum operating reserve fund for the charter schools is recommended to be equal to 3 months of average operating costs. The amount of Operating Reserves will be calculated each year after approval of the annual budget and included in monthly financial reports.

**Procedures:**

- ExED will monitor the organization's reserve level and will report the reserve level to the CEO and the Schools Committee on a monthly basis.
- It is the responsibility of the CEO and the Schools Committee to understand the organization's cash situation and it is the responsibility of the CEO to prioritize payments as necessary to manage cash flow.

- The Schools Committee may restrict a portion of the operating reserve fund for strategic goals.
- The Schools Committee may develop an additional Operating Reserve Policy to specify use of the Operating Reserves.