

“Integrity” Academy Financial Policies

The Governing Board shall adopt this comprehensive budget on an annual basis, which shall include all forms of revenue and all expenditures. The budget is prepared conservatively and with viability and sustainability of the charter school in mind. Any amendments to the budget require the approval of the Governing Board. In addition, if expenditures are expected to exceed those planned in the adopted budget, a revised budget will be prepared for Governing Board review and approval.

The Board of Directors defines IA's broad goals and mission and decides on annual objectives. The Board reviews actual versus budget performance at least quarterly. Budget variances will be explained along with any recommendations for corrective action as required. Changes and revisions to the budget during the year are made by the Finance Committee. The Finance Committee will determine if the changes are material enough to warrant Board approval.

IA will:

- Plan the scope and level of IA's activities with sufficient funds earmarked for all goals, policies or projects approved by the Board of Directors.
- Estimate sources of revenues for all entities for the appropriate time periods.
- Estimate the use of funds for all entities for the appropriate time periods and specify how services are to be provided and where they are applied or used.
- Prepare a list of all assumptions used in the budget preparation. Prepare a narrative support statement for each budget line item.
- Obtain approval by the Board of Directors.

The Head of School and appropriate staff will establish guidelines, priorities and assumptions for preparation of the budget. These assumptions will be communicated to all Program Managers. In addition, procedures and budgeting formats are established and a timetable is developed.

Preparation and Approval of the Budget

All Directors and Department Heads, in consultation with the Head of School and other appropriate staff, will prepare their projections of revenues and expenditures for planned services, projects and programs. The Head of School and appropriate staff will develop budgets for accounts that are not overseen by a Director or Department Head. The staff members responsible for the budget preparation will consider historical data along with future growth plans. They will also factor in any shifts or adjustments to staffing levels along with the related fringe benefits.

The Head of School then prepares a consolidated budget proposal. The budget proposal is submitted to the Finance Committee in time for reasonable approval by the Board of Directors prior to the beginning of the new fiscal year. The Board of Directors approves the annual budget at the May board meeting. The Head of School is responsible for ensuring materials are provided to the Finance Committee in a timely manner that will allow for Board review and approval by May.

Based on monitoring efforts and events having occurred during the year, budget revisions should be initiated and reviewed by the Head of School. The Head of School communicates recommended budget revisions to the Finance Committee. The Finance Committee will determine if the changes are material enough to warrant Board approval.

Once the budget is approved, it is up to the appropriate management to implement the budget plan.

The Accounting Vendor will prepare and submit monthly variance reports to the Finance Committee and Board of Directors. Explanations of variances will accompany the analysis.

Independent Contractors. It is the policy of IA to evaluate criteria established by the IRS when assigning individual employee or independent contractor status. Individuals qualifying as independent contractors will sign an Independent Contractor Agreement and will be issued, by IA, IRS Form 1099 if compensation is \$1,000.00 or more if they are other than a corporation.

A. The procedure for hiring a consultant is to prepare a contractual agreement detailing the following items:

- Detailed description of services or tasks to be performed and description of deliverables.
- The time frame in which these services/duties are to be completed.
- The rate of pay.
- When payment will be made.
- What expenses will be reimbursed.

The following required North Carolina State Language will be included in every contract:

No indebtedness of any kind shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.

B. The contract shall be signed by the consultant, the Head of School and the Program Manager if relevant.

C. Members of the Board of Directors or committees of IA may not enter into a contract with a consultant on behalf of IA.

D. The contract must have a payee identification number (Social Security Number or Employer Identification Number), phone number and home address of the consultant.

E. If services are extended beyond the contract's time frame or additional money is required, a new contract or an addendum must be written.

Contracts and Authority. It is the policy of IA to grant authority to sign contracts and grant agreements to the Head of School for activities that have been approved by the Board of Directors as part of the annual approved budget. The Board must authorize any contracts outside these parameters. All contracts with financial value greater than \$5,000 require Board approval.

CHECK SIGNERS

It is the policy of IA to give check-signing authority to the following positions:

- Members of the Finance Committee of the Board and Board Officers.
- Head of School: for all standard budget expenses without limit, and for any non-standard or non-recurring expenses up to \$1,000 value.

- **Checks greater than \$1,000** for non-standard or non-recurring expenses outside the budget require signature of a member of the Finance Committee or the Board Chair, and may require Board approval as set forth in this manual.

Note: The Head of School may give a responsible employee temporary check signing authority as long as a proper segregation of duties exists. **Only one signature is required on any check less than \$1,000.**

Safeguarding of Checks. It is the policy of IA that unused check supplies be safeguarded by the Office Manager in a locked file cabinet. Signed checks which have not been mailed shall be placed by the Office Manager in a locked file until the following day.

Old Checks. It is the policy of IA to investigate all outstanding checks over three months old in conjunction with year-end procedures. IA shall contact the payee to resolve the issue.

Voided Checks. It is the policy of IA that the Office Manager shall maintain a Voided Check Log and document every check that has been voided, regardless of the reason. If voided checks are physically available, they will be marked "VOID" and filed in IA's Voided Check File. If voided checks are not physically available, IA's copy of the banks' stop-payment order will be filed with the journal entry recording the fee.

Prohibitions. The following procedures regarding check writing are prohibited:

- Checks payable to "bearer" or "cash"
- Checks signed in blank
- Utilizing checks out of sequence

Check Endorsement/Stamp. It is the policy of IA for the Office Manager to endorse checks with a stamp prior to deposit as follows: *For Deposit Only*. An appropriate bank stamp may be substituted for IA "For Deposit Only" stamp if such stamp is available for use.

Loans Prohibited. It is the policy of IA to prohibit loans to employees and board members under all circumstances.

ANNUAL FINANCIAL AUDIT PREPARATION

The Board of Directors, Head of School and the Accounting Vendor are responsible for preparation of all financial audits, audit procedures, and audit requirements adopted by the State Board of Education for charter schools.

A. All financial audit preparation and reporting should be done in full compliance with the State Board of Education and the Uniform Education Reporting System.

B. All documented audit deficiencies should be reported in writing to the Board of Directors with a time line to cure all financial weaknesses.

C. All audit report findings should be included in the monthly board meeting minutes.

DIVISION OF DUTIES

The following is a list of personnel who have responsibilities within the accounting department:

A. Board of Directors

- Reviews and approves all financial reports at each regularly scheduled board meeting.
- Reviews and approves the annual budget.
- Reviews and approves all contracts for goods and services that will exceed \$5,000 over the year.
- Check signing (two Board members minimum) authority on all IA accounts.
- Authorizes non-line item budget expenditures in excess of \$5,000.
- Reviews all vouchers and invoices for those checks that require Board signature (see Check Signers section).
- Reviews and recommends Board approval of all contracts for goods and services that will exceed \$5,000 over the year.
- Receives copy of unopened bank statements.

B. Finance Committee

- Closely monitors monthly financial statements and reports to identify budget variances or issues in a timely manner.
- Ensures that all financial accounts and records are kept in accordance with generally accepted accounting practices.
- Oversees preparation and filing of all tax returns required by law.
- Reviews and recommends Board approval for financial reports.
- Prepares, in conjunction with the Head of School, the annual budget.
- Reviews and recommends Board approval of annual budget.
- Oversees annual independent audit.

C. Treasurer

- Has charge of and is responsible for all funds and securities, receipts, and disbursements of IA
- Has oversight of the financial records, investments, and other evidences of school properties and assets.
- The Treasurer may delegate day-to-day management of finances to the Head of School, Office Manager, or other responsible individuals approved by the Board.
- Is the chair of the Financial Committee.

E. Head of School

- Approves all vouchers, invoices and checks.
- Receives unopened bank statements.
- Develops with the Board of Directors the annual budget.
- Reviews and approves all financial reports.
- Reviews and approves check disbursements.
- Reviews all vouchers and invoices for those checks that require his or her signature.
- Authorizes all inter fund transfers.
- Reviews all bank reconciliations.
- Reviews the payroll summary for the correct payee, hours worked and check amount.
- Approves all reimbursements.
- Manages the assets accounts.

F. Accounting Vendor

- Processes the payroll.
- Processes all receipts and disbursements.
- With the Board of Directors and Head of School, assists in the development of the annual budget.
- Assists in the preparation of financial reports
- Processes requests for reimbursements.
- Double checks all reimbursement requests against receipts provided.

G. Office/Business Manager(s)

- Receives all incoming mail and bank statements.
- Mails all checks for payments.
- Manages the petty cash fund