

# FINANCIAL CONTROLS POLICY

Church Hill Preparatory Academy

Church Hill Preparatory Academy (“the School”) shall employ a Director of Finance (DOF) to administer its daily fiscal, accounting, and tax functions. The Board of Directors (“the Board”) and Principal, who is also Chief of Operations, will provide fiscal oversight. The Charter School will contract with an independent certified public accountant (CPA) to provide support to the School in analyzing, reconciling and adjusting account balances, and to ensure the records are maintained in accordance with generally accepted accounting principles (GAAP). The CPA also may assist in developing the School’s chart of accounts and implementation of an accounting software system.

The internal financial control policies and procedures of the Charter School are as follows:

## I. ACCOUNTING SYSTEM

**Policy:** The charter school shall use the accrual basis accounting method in accordance with GAAP. All financial statements and any reporting to the IRS or other governmental entities shall be completed using this method.

**Procedure:** The charter school shall maintain an accrual basis accounting system in accordance with generally accepted accounting procedures. All financial statements and reports to the IRS and other governmental entities shall be completed by the charter school or an accounting firm selected by the charter school on an accrual basis, or otherwise in accordance with IRS or other regulations, and shall be submitted to such entities by the charter school.

## II. BOOKS OF ACCOUNT

**Policy:** The books of account shall be maintained in accordance with GAAP, and include Budget Reports, General Ledger, and detailed journals for all cash receipts and cash disbursements (including payroll).

**Procedure:** The Director of Finance shall maintain all books of accounts. An accounting software package will be utilized to properly record all assets, liabilities, net assets, revenues, expenses and budgets. A certified public accountant will be

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available, as needed, to provide monthly accounting support to the Director of Finance.

## **III. CHART OF ACCOUNTS**

**Policy:** A corporate Chart of Accounts in accordance with GAAP shall be developed by the DOF to properly record all accounting activity.

**Procedure:** The DOFF shall record all school fiscal transactions to the Chart of Accounts in accordance with GAAP, and will allocate revenues and expenses according to the Chart of Accounts.

## **IV. FINANCIAL STATEMENTS**

**Policy:** Financial statements shall be prepared by the DOF and shall be reviewed by the Principal and Board of Directors.

**Procedure:** The DOF shall prepare monthly balance sheets and statements of activity. These statements will be prepared in accordance with GAAP, and include a detailed reporting of asset, liability, revenue and expense categories, and a comparison between year-to-date actual and year-to-date budget data. Financial statements shall be presented to and reviewed by the Board of Directors monthly.

## **V. BANK ACCOUNT MANAGEMENT: ISSUING/SIGNING CHECKS**

**Policy:** Check signing procedures as established by the Board shall be adhered to by employees.

**Procedure:** School checks shall be signed by the Principal. Checks in excess of \$5,000 will require the second signature of a Board member. Checks shall be issued only when within the approved budget and with the approval of the Principal. Checks shall be prepared for signature by the DOF. The DOF shall not have check signing authority or withdrawal authority. Voided checks shall be properly recorded to insure proper maintenance of checking account records.

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## VI. BANK ACCOUNT MANAGEMENT: OPENING/CLOSING ACCOUNTS

**Policy:** The signature of the Principal shall be required to open or close accounts, subject to restrictions of such authority established by the Board of Directors and by state law or regulation.

**Procedure:** The Principal, after consultation with and authorization by the Board Chair, shall secure any necessary signatures to open or close a charter school account.

## VII. BANK ACCOUNT RECONCILIATION

**Policy:** Reconciliation of each charter school account shall be done within ten (10) days of receipt of bank statements.

**Procedure:** The Director of Finance shall oversee reconciliation of all bank accounts monthly, including comparing the cash receipts log to the deposits listed on the bank statement.

## VIII. PETTY CASH

**Policy:** The charter school shall maintain a petty cash fund to be used for reimbursements to employees for minimal out-of-pocket business-related expenses, not to exceed \$100.00.

**Procedure:** The DOF shall reimburse employees for out-of-pocket expenses, not to exceed \$100.00, upon submission of a petty cash reimbursement voucher, approved by the Principal, and substantiating receipts related to each expenditure. The Director of Finance shall verify all receipts as required for all requested reimbursements, approve any required payment, and oversee maintenance of the petty cash fund. Replenishment of the petty cash fund will be documented with a check request approved by the DOF as needed. The DOF will verify monthly counting and reconciliation the petty cash fund.

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## IX. ACCOUNTS RECEIVABLE

**Policy:** The charter school will maintain accounts receivable in accordance with GAAP for scheduled receipts from the school districts, grants or any other amounts due but not yet received.

**Procedure:** All revenues will be recorded on an accrual basis in accordance with GAAP. The DOF will oversee maintenance of an aged schedule of amounts receivable, which lists payer, date, description, and account. The DOF will oversee reconciliation of such schedule to the general ledger on a monthly basis.

## X. ACCOUNTS PAYABLE

**Policy:** The charter school, whenever practical, shall timely pay invoices within 60 days of their issue or by their due date (whichever is earlier), unless alternative arrangements are made with vendors or unless a dispute arises. Invoices of an amount which precludes payment within 60 days may be put on a payment plan, allowing a monthly payment agreeable to both the charter school and the vendor, unless another arrangement is reached agreeable to both the charter school and the vendor.

**Procedure:** All accounts payable shall be recorded on an accrual basis in accordance with GAAP. Maintenance of accounts payable shall be supervised by the DOF who shall ensure timely payment and the development of payment plans. The DOF also shall maintain an aging of accounts payable schedule listing the payee, transaction date, amount payable, description and account. Payments of invoices shall be processed on or about the end of each week. All purchases in excess of \$5,000 shall be approved by the Board of Directors. All invoices will be approved by the DOF prior to payment. No payment will be made without a properly approved invoice or other supporting documentation. All contracts and loans shall be approved by the Board of Directors.

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## XI. PAYROLL SYSTEM

**Policy:** The charter school shall maintain a payroll system approved by the Board of Directors.

**Procedure:** Documentation of authorized pay rates shall be maintained in the employee's personnel file. Personnel files shall be secured with access limited to authorized individuals. Personnel will be paid biweekly, by check. Personnel electing direct deposit will receive a check stub.

Employee time sheets will be maintained daily. Time sheets, signed by the employee and approved by a supervisor, shall be forwarded to the DOF at the end of the pay period for payroll processing. The DOF will oversee review of the time sheets for signatures and approvals, and the review of time worked and verify for mathematical accuracy, and will review a summary of the payroll information before processing. After processing, the DOF will review the payroll reports and checks and document approval. The DOF will oversee distribution of the paychecks. All payroll changes will be authorized by the Principal. The DOF will supervise recording of each payroll to the accounting system, including any payroll accruals, in accordance with GAAP. The DOF be responsible for ensuring payment of all payroll-related liabilities.

A deferred compensation program may be established in accordance with IRS and personnel policies and administered by a third party. All services performed by independent contractors will be processed as accounts payable. At the close of the fiscal year, Forms 1099 will be issued to independent contractors in accordance with IRS regulations. The charter school may at some point outsource payroll processing.

## XII. MAIL MANAGEMENT; INCOMING CHECKS

**Policy:** All incoming mail is opened and distributed by a designated employees person. Any checks received are immediately restrictively endorsed by the mail opener.

**Procedure:** All mail shall be opened by the Executive Assistant or any other employee as designated by the Principal, except the DOF or other team members under his

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direct and sole supervision. The Executive Assistant (or other designated employee) shall record the name, date received, name(s) or donor, address (if available), amount, and type of receipt. The Executive Assistant (or other designated employee), shall stamp the check "for deposit only" into the charter school's account, and shall then prepare the deposit slip and deposit the checks into the appropriate account. A copy of each check shall be attached to a copy of the deposit slip and deposit receipt and shall be filed and used for reconciliation of the bank statement.

The Director of Finance Associate will designate a employees member to receive the documentation related to the cash receipts deposit and record the activity to the accounting system. The Board of Directors will review all cash receipts monthly, including a comparison of amounts received to the budget.

## **XIII. BUDGETING OF FUNDS**

**Policy:** The Board of Directors shall approve an annual operating budget for the charter school.

Adjustments to budget categories during the year shall be approved by the Board.

**Procedure:** The Principal shall develop, in conjunction with the DOF, the charter school's annual budgets. Budget assumptions in the initial year of operations will be based on known expenditures of similar entities, modified for the charter school's specifications and expectations. Future budgets will be based on the school's history, specifications and expectations. Budgeted expense categories shall include the cost of personnel instruction, administration, facilities, operations and other spending categories of the charter school. Detailed expenses, such as supplies, repairs and maintenance, travel, contracted services, utilities, rent, and other expenses will be budgeted according the above spending categories.

The Board of Directors will approve the annual budget of the charter school by June 1 of the immediately preceding fiscal year. The Board also will approve any amendments proposed during the year. The Board of Directors will compare year-to-date revenues and expenditures to the budget and review significant variations on a monthly basis.

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## **XIV. CAPITAL DEPRECIATION; DISPOSITIONS AND DEPRECIATION**

**Policy:** The Charter school shall, either independently or with the assistance of an accountant, maintain appropriate fixed asset and related depreciation accounts.

**Procedure:** All property and equipment acquisitions and dispositions shall be approved by the Board of Directors. Assets in excess of \$500 shall be capitalized and depreciated over their useful life in accordance with GAAP for nonprofit organizations. Asset purchases of under \$500 and software purchases shall be expensed. The DOF will reconcile the fixed asset and related depreciation schedules to the general ledger account monthly.

## **XV. EMPLOYEES AND TRAVEL EXPENSES**

**Policy:** Employees shall be reimbursed for travel and related expenses while on approved charter school business.

**Procedure:** All out-of-town travel shall be approved by the Principal in advance. All employees shall submit travel reimbursement forms by which they request reimbursement. Travel reimbursement forms shall document employee name, travel dates, destination, business purpose, and detail business costs such as tolls, parking, mileage and meals. All receipts and substantive documentation must be attached to the travel reimbursement form. Submitted travel reimbursement forms shall be reviewed by the DOF for: (a) accuracy of computations; (b) completeness of required receipts; and (c) adherence to established guidelines. Inaccurate or incomplete information shall be discussed with the submitting employees member, and any necessary additional information shall be requested by and provided to the DOF prior to reimbursement. Employees shall be compensated within 20 business days of submission of a complete and accurate reimbursement form to the DOF (or the DOF's designee). Reimbursement requests submitted by the DOF shall be reviewed and approved for payment by the Principal; requests submitted by the Principal shall be reviewed and approved for payment by a member of the Board of Directors.

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## **XVI. AUDITS; FINANCIAL REGULATORY FORMS**

**Policy:** Independent audits of the financial statements shall be conducted annually by a Certified Public Accountant selected by the Board of Directors. Annual financial audits will be conducted in accordance with generally accepted auditing standards. Financial regulatory forms shall be completed as necessary by the charter school or an accounting firm selected by the Principal and DOF.

**Procedure:** Appropriate financial forms and reports shall be filed with the chartering entity, federal government and appropriate state agencies. Upon completion, audits shall be reviewed by the DOF and Principal and submitted to the Board of Directors for review. All audits shall include a management letter.

## **XVII. INSURANCE**

**Policy:** The charter school shall maintain appropriate insurance coverage.

**Procedure:** At a minimum, the following insurance shall be maintained: (a) Commercial Package (including property and liability); (b) Directors and Officers Liability; (c) Disability; and (d) Workers Compensation. The charter school also shall contribute to the state Unemployment Insurance Fund in accordance with applicable law.

## **XVIII. FEES SCHEDULE**

**Policy:** The charter school will maintain a schedule of fees for surveys, workshops, consultation, publications, or any other product or production for which it charges a fee.

## **XIX. PERSONNEL LEAVE**

**Policy:** The charter school shall carry accrued vacation leave on financial statements as a liability, in accordance with personnel policy.

**Procedure:** Employees use of accrued leave shall be requested of the Principal, or other designee, in accordance with established personnel policy. Personnel records, including accounting of accrued leave, are maintained by the Personnel Officer.



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## XX. CONTRACTS

**Policy:** The execution of contracts and grants shall be within the scope of the charter school's mission, goals, and annual plans.

**Procedure:** The charter school may enter into contracts for such things as professional services or rentals or to perform a function with the scope of the charter school's mission, goals and annual plans. All contractual agreements shall be in writing, and signed and dated by the Principal. All contracts of the charter school must be approved by the Board of Directors.

## XXI. INVESTMENT POLICIES

**Policy:** The charter school's surplus funds shall be invested in money market funds and certificates of deposit, or as otherwise deemed prudent by the DOF, Principal, and Board of Directors.

**Procedure:** The DOF shall identify excess funds available for investment, and the Principal shall approve the transfer of such funds (to be made by the DOF or designee).

## XXII. BORROWING FUNDS

**Policy:** All borrowing of funds, and the establishment or increase of all credit lines must be approved by the Board of Directors.

**Procedure:** Based on annual audits, financial statements, and cash flow projections, the Principal may establish credit lines and borrowing limits as directed by the Board of Directors. Borrowed funds will be repaid with appropriate, measurable and identifiable revenues in accordance with GAAP. The DOF or his or her designee shall alert the Board of Directors if lines of credit or borrowing limits ever are not adequate to meet the needs of the organization. The Board of Directors may amend the borrowing policy and credit limits.

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## XXIII. BEQUESTS AND CONTRIBUTIONS

**Policy:** Non-restricted bequests and contributions shall be used for operations or special projects as designated and approved by the Principal and/or the Board of Directors of the charter school, consistent with conditions set forth by the Board of Directors of the charter school. Bequests and contributions that are donor restricted shall be used for the purpose articulated by the donor, except that in no case shall the school accept any such bequest or contribution for which the donor restriction violates any federal or Commonwealth of Virginia state law.

**Procedure:** Bequests and contributions will be properly budgeted and accounted for in accordance with GAAP for nonprofit organizations. The DOF will maintain supporting schedules to document revenues and expenditures related to unrestricted, temporarily restricted and permanently restricted net assets. Nonrestricted bequests and contributions shall be used for operations or special projects as designated and approved by the Principal and/or Board of Directors of the charter school. Bequests and contributions that are donor restricted shall be used for the purpose articulated by the donor.

The Board of Directors will review and approve expenditures on a monthly basis in accordance with donor stipulations, if any.

## XXIV. HONORARIA

**Policy:** Honoraria received by employees while on charter school time or on charter school business shall be the property of the charter school.

**Procedure:** Employees shall request that any anticipated honoraria be made payable to the charter school, and any honoraria received by employees in any form shall be the property of the charter school.

## XXV. CREDIT CARDS

**Policy:** The charter school may maintain corporate credit cards which shall be issued to employees as designated by the Principal. Such credit cards shall be used solely for charter school business.

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**Procedure:** All credit cards account billing and related expense reports shall be given immediately to the DOF (or his or her designee). The DOF shall oversee reconciliation of all charges reported by employees on expense reports to the credit card bills. Discrepancies in these receipts or billing shall be analyzed and resolved. The use of the credit cards shall adhere to established personnel policy. In the event of termination of employment, employees shall be required to return any credit cards that have been issued to them.

## XXVI. PURCHASING PRACTICES

**Policy:** Guiding the purchase of all goods and services of the charter school will be: (a) price; (b) quality; and (c) dependability. Particular vendors may be chosen for any one or any combination of these factors; however, at all times the selection of a particular good, service, or vendor shall be with the intention of maintaining a top-quality school. The execution of contracts and grants shall be within the scope of the charter school's mission, goals, and annual plans.

**Procedure:** When a product is to be purchased that costs more than \$10,000, the Principal, or his or her designee, shall make every reasonable effort to secure quotes and product specifications from at least three providers of the product or a similar product. The Principal, or his or her designee, shall select from among these offers, and document the reasons for selecting the chosen option which shall include mention of the aforementioned factors that guide such selection. Professional service contracts over \$10,000 are included in the requirement to seek multiple bids; however, nothing shall preclude the Principal from seeking such multiple bids for smaller value contracts. All contractual agreements shall be in writing, and signed and dated by the Principal or his or her designee.