

FINANCIAL POLICIES AND PROCEDURES

Introduction

It is the intent of these Financial Policies and Procedures to implement both the letter and spirit of all applicable State and Federal regulations regarding the expenditure of and accounting for public funds. These Policies and Procedures may need to be modified as the School develops and regulations change. The Shanél Valley Academy Board of Directors (“Board”) has reviewed and adopted the following policies and Procedures to ensure the most effective use of funds and to support its mission to ensure that funds are budgeted, accounted for, and expended and maintained appropriately.

Shanél Valley Academy has contracted with EdTec for various business and back office services including budgeting, financial reporting, and forecasting; accounting and bookkeeping; cash management; CALPADS reporting; and payroll processing and retirement reporting.

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.

1. 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 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.

2. Bank Reconciliations

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

Procedures:

- The EdTec Client Manager or designee assigned to SVA will print the bank statements directly from the online banking system. If online banking is unavailable, SVA will make copies of the original statement available to EdTec.
- The EdTec will prepare the bank reconciliation.

3. Record Keeping

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

Procedures:

- EdTec 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.
- EdTec 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, 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, or ink. Completion by pencil is not permitted. SVA employs various electronic systems and processes to complete the work associated with its fiscal operations. The electronic systems the organization chooses to use may change over time and new electronic systems may be introduced. The organization will configure the electronic systems to ensure they align to the organization's internal controls.

1. Lines of Authority

Governing Board

- Approves the fiscal policies and procedures and delegates administration of the policies and procedures to the Principal and Business Manager.
- Ensures that the fiscal policies and procedures are current, meaning that they have been reviewed and updated annually.
- 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 the opening of business credit cards.
- Reviews and approves the annual budget.
- Reviews annual and monthly financial statements, including the monthly check register and the EdTec-prepared financial reports and budget-to-actual variance analysis.
- Reviews the Principal and Business Manager performance annually and establishes the salary.
- Reviews and approves all contracts over (\$5,000). The governing board designates this authority to the Board President, Board Treasurer, or Board Designee for contracts up to \$30,000.
- Reviews and approves all expenditures for payment over (\$30,000).
- Commissions the annual financial audit by an independent third party auditor approved by the State of California.
- Approves the annual financial audit by December 15.
- Appoints someone else to perform the duties of the Principal and/or Business Manager in the case of absence.

Principal

- Is responsible for all operations and activities related to financial management.
- Develops the annual budget with EdTec and at least one member of the Board of Directors.
- Reviews and approves all contracts under (\$5,000).
- Reviews and approves all expenditures
- Oversees the adherence to all internal controls.
- Appoints someone else to perform his/her duties in case of absence.

3. 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.

Financial Planning & Reporting

1. Budgeting Process

Policy: In consultation with the Principal, Business Manager and at least 1 Board Member, EdTec 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 Principal and Business Manager will work together with other organization staff to ensure that the annual budget is an accurate reflection of programmatic and infrastructure goals for the coming year.
- EdTec will ensure that the budget is developed using the organization’s standard revenue recognition and cost allocation procedures.
- EdTec, in consultation with the Governing Board, will set a target net income goal to meet strategic goals and/or comply with existing loan covenants.
- EdTec will present a draft budget to the Governing Board prior to the end of the fiscal year.
- The Governing Board will review and approve the budget no later than its last meeting prior to the start of the fiscal year.
- EdTec will prepare financial statements displaying budget vs. actual results for presentation to the Governing Board at each board meeting.

2. Internal Financial Reports

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

Procedures:

- EdTec 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.
- The Principal and Business Manager will review financial reports each month.
- EdTec will present the financial reports to the Governing Board at each meeting.

3. Audit

Policy: The Governing Board will contract annually with 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, 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 Governing Board will be responsible for contracting with an audit firm by April 1 of each year, unless the existing contract is a multi-year contract.
- The Governing Board 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 Governing Board 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.

4. Tax Compliance

A. Exempt Organization Returns

Policy: The audit firm contracted by the Governing Board 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:

- EdTec will work with the tax preparer to complete the organization's tax returns.
- The Principal and Business Manager will review the tax returns before submitting to the Governing Board 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.

B. Quarterly/Annual Payroll Reports

Policy: EdTec 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:

- EdTec will prepare employee W2s by January 31 each year.
- EdTec will file quarterly payroll tax reports (941 and DE9) by the filing deadline.

Revenue & Accounts Receivable

1. 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 Principal, Business Manager or designee will 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 Business Manager.
- The Business Manager and the designee will recount and reconcile the amount received with the supplied supporting documentation and each will sign for approval. The Business 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 the Business Manager.
- Once a week, the Business Manager will log cash or checks received into the Deposit Log and uploaded with all backup documentation to the appropriate EdTec folder for record purposes.

2. Deposits

Policy: The Business Manager is responsible for making bank deposits. Deposits will be made in a timely manner, not to exceed one week from the date of collection.

Procedures:

- The Business Manager will restrictively endorse each check received (e.g. For Deposit Only).
- The Business Manager will prepare a deposit log itemizing the amount, revenue code, resource code, and purpose of each check or cash payment received. The deposit log will include a copy of each check and a bank deposit slip.
- The Business Manager will upload the Deposit Log with all backup documentation to the appropriate EdTec folder for record purposes.
- EdTec will reconcile the cash receipts to the deposit slip and the bank statement as part of the monthly close process.

Expense & Accounts Payable

1. Payroll

Policy: Employees are paid on a semi-monthly basis (approx. 15th and end of month). Under the supervision of the Principal and Business Manager, EdTec will be responsible for processing payroll through a third-party provider (Paylocity).

A. 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 through third-party provider (Paylocity).

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.

B. Payroll Additions, Deletions, and Changes

Policy: The Principal is authorized to approve all payroll changes within the scope of his/her budget authority.

Procedures:

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

C. Payroll Preparation & Approval

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

Procedures:

- Five days prior to each check date, the Business Manager will provide EdTec with a summary payroll report that includes:
 - A listing of salaried staff to be included in the payroll and an accounting of any vacation, sick, or personal hours to be recorded for each salaried employee.
 - The number of hours each hourly employee worked during the pay period as well as an account of any vacation, sick, or personal hours to be recorded for each hourly employee.
 - The EdTec Payroll Manager assigned to the organization will prepare payroll based upon the summary payroll report and submit for processing to EdTec.
 - The EdTec payroll representative will review for accuracy and completeness.
 - EdTec will obtain approval from the Principal before submitting payroll.
 - The EdTec will submit payroll to the 3rd party payroll provider for check and direct deposit processing.
 - The 3rd party payroll provider will deliver the payroll package to the organization address on file.
 - The Business Manager or designee will be responsible for opening the payroll package and notifying EdTec of any missing checks if delivered to the school's address.

2. Purchase & Procurement

Policy: Any expenditure in excess of \$50,000 for the purchase of a single item should have bids from three (3) suppliers, if possible. Any food contract that exceeds \$50,000 (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 governing board reviews and approves all contracts over (\$5,000). The governing board designates this authority to the Board President, Board Treasurer, or Board Designee for

contracts up to \$30,000. The governing board reviews and approves all expenditures for payment over \$30,000.

Procedures:

a. General

- 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 Governing Board will review expenditures during each board meeting through the review of a check register that will list all checks written since the Governing Board's last meeting and will include the check #, check date, payee, and check amount.

b. Contracts

- The Principal will consider in-house capabilities to accomplish services before contracting for them.
- The Business Manager will keep and maintain a contract file evidencing the competitive bids obtained (if any were required) for any contract over \$50,000.
- The Business Manager 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. The Business Manager or designee will keep a record of all searches.
- The Business Manager 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 Business Manager may also require that contract service providers list the school as an additional insured.
- The Principal will approve proposed contracts and modifications in writing.
- Contract service providers will be paid in accordance with approved contracts as work is performed.
- The Principal will be responsible for ensuring the terms of the contracts are fulfilled.
- Potential conflicts of interest will be disclosed upfront, and the Principal and/or Member(s) of the Governing Board with the conflict will excuse themselves from discussions and from voting on the contract.

3. Credit Cards

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

Procedures:

- The bank and/or consumer credit card 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 Head of School be required to complete a “missing receipt” form, authorization must be granted by a member of the Governing Board.
- Credit cards will bear the names of both the organization and the cardholder as authorized by the Governing Board.
- 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 Principal 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.

4. Debit Cards

Policy: Organization debit cards are not permitted.

Procedures:

- If a debit card is automatically issued by the bank, the Principal and/or Business Manager will:
 - Contact the bank to deactivate debit card service from the account.
 - Destroy the physical debit card.

5. Independent Contractors

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

Procedures:

- The Principal 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.

- The Business Manager will ensure Form W-9 is collected and submitted to EdTec.
- EdTec will review 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 Principal 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, EdTec will issue a Form 1099 to all independent contractors in accordance with IRS regulations.

6. Invoice Approval & Processing

Policy: The Principal must approve all invoices. Any invoice over \$5,000 must also receive approval from the Board President, Board Secretary, or Board Treasurer. The following procedures will be performed either manually or electronically.

Procedures:

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

7. 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 for payment, the EdTec Accounts Payable representative will prepare an in-sequence check and will submit for processing.
- The EdTec Accounts Payable representative will review the supporting documentation for completeness and the check for accuracy.
- The EdTec Accounts Payable representative will prepare an invoice approval report for the Principal to review.
- The Principal will review and approve all payments under \$5000. The EdTec Accounts Payable rep will notify the Board President for approval of any expenditures up to \$30,000.
- Once the invoice approval report is approved with the necessary authorization, the EdTec Accounts Payable representative will sign the check with the Principal facsimile signature stamp and Board Member's stamp (if applicable), which is maintained in a secured location when not in use.
- EdTec will distribute the check as follows:
 - Original – mailed to payee
 - Original – mailed to Shanél Valley Academy for payee to pickup
 - All original mailed invoices received will be locked in the Business Managers office until pickup.
- Should a check need to be voided, the Business Manager will coordinate with the Savings Bank of Mendocino County to ensure the check is canceled.

8. Wire Transfers

Policy: Wire transfers initiated by the client or EdTec will be executed upon receipt of appropriate documentation (e.g. vendor invoice, purchase order, packing slip, etc.). Any wire transfer over \$5,000 must also receive approval from a member of the Board.

A. **Procedures for EdTec Executed Wire Transfers:**

- EdTec will initiate and execute wire transfers with supporting documentation for the following:
 - Routine wires initiated and executed by EdTec:
 - Semi-monthly Payroll transfers to Paychex per ReadyPay
 - All other EdTec executed wire transfers will adhere to the following procedures:
 - Principal will review all supporting documentation and approve.
 - The school will then send all documentation to EdTec
 - EdTec will execute the wire transfer

B. **Procedures for SVA Initiated and Executed Wire Transfers:**

- The Principal shall prepare all supporting documentation for the wire transfer

- A member of the Board will review all supporting documentation and approve in writing
- School will send all documentation to EdTec

9. Board, Employee and Volunteer Expense Reimbursements

A. General

Policy: The organization will reimburse pre-authorized school-related expenses that are accompanied by an original receipt or other appropriate documentation. Only the Principal or Board of Directors may incur school-related expenses without preapproval if such expense if the expense aligns with the appropriate budget expense code.

Procedures:

- An employee or school volunteer seeking to make a school-related purchase must obtain pre-approval from the Principal.
- Employees will submit signed expense report, as necessary, to the Business Manager for processing. Original receipts or other appropriate documentation (e.g. e-mail receipt) must be attached to the expense report.
- All receipts must be submitted within 30 days for reimbursement.
- Principal expense reports must be approved by a member of the Board.
- The Business Manager will submit the approved expense report and supporting documentation to EdTec.
- EdTec will prepare the reimbursement in the weekly Invoice Approval Report.
- The Principal will review and approve the Invoice Approval Report. If the reimbursement is more than \$5,000 a Board member approval is also needed.
- EdTec will issue a reimbursement check after receipt of appropriate and complete documentation in accordance with the AP processing schedule.
- The organization reserves the right to refuse reimbursement for any inappropriate expenses made.

B. Travel Expenses

Policy: The Principal must pre-approve all school related travel. Mileage will be reimbursed at the organization-approved mileage rate.

Procedures:

- Work-related travel that requires employees to be away from their regular work assignment shall be covered by the appropriate leave. Employees who extend travel days for personal reasons will be required to use personal leave. Leave must be requested and approved by the employee's supervisor prior to travel.

- Whenever possible, lodging and other travel expenses will be paid for with the use of the organization's credit card.
- Hotel rates will be negotiated at the lowest level possible, including the corporate, nonprofit or government rate if offered, and the lowest rate available. Incidentals charged to lodging will be the responsibility of the employee.
- Employees will be reimbursed up to the established per diem rate found at 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.
- Travel and transportation expenses such as airfare will be purchased at the lowest rate available, by the most direct route available unless cost prohibitive. Purchase of first class and premium upgrades are prohibited.
- 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. A vehicle log should be kept by employees requesting mileage reimbursement.
- Employees should utilize bus/shuttle service whenever possible when traveling. When traveling in groups, taxis or rideshares may be more economical. Employees should choose between long-term parking or a taxi based on whichever is the more economical for the organization. Ground transportation to and from locations traveled for personal reasons shall not be reimbursed.
- All receipts must be submitted within 30 days of travel for reimbursement.
- After the trip, the employee must enter all of the appropriate information on an expense report, attach original receipts, and submit it to the Business Manager. The Business Manager will review all receipts and code the expense report and submit to EdTec for processing. The Principal will review and approve all expense reports for reimbursement that align with this policy.

Adopted: 6/17/21

Amended: 6/30/22