



# Yu Ming Charter School Fiscal Policies and Procedures

## Introduction

The Governing Board of Yu Ming Charter School, a nonprofit public benefit corporation operating a charter school of the same name (also referred herein as the “organization” or the “Charter School”) has reviewed and adopted the following policies and procedures to ensure the most effective use of the funds of Yu Ming Charter School to support its mission and to ensure that the funds are budgeted, accounted for, expended and maintained appropriately.

Yu Ming Charter School has contracted with ExED for various business services including budgeting, financial reporting, and forecasting; accounting and bookkeeping; cash management; CALPADS reporting; and payroll processing and retirement reporting.

In the course of its fiscal operations, the organization will consider and implement, as applicable and appropriate, the guidance set forth in the California Charter School Accounting and Best Practices Manual as published and periodically revised by the Fiscal Crisis and Management Assistance Team (FCMAT).

## 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. Adjustments agreed upon during the audit process may be made as soon as is practical following the completion of the final audit report.

## 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 and/or save 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 using ExED's bank reconciliation workbook.
- The Accounting Manager or Vice President, School Finance assigned to the organization will review and approve the bank reconciliation workbook by completing the approval tab of the bank reconciliation workbook.

## Record Keeping

### Policy:

Financial records will be retained for a minimum of seven years or as outlined in the records retention 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, including using web or cloud based storage locations, 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. These may be made available electronically rather than via printed documents.
- At the discretion of the Governing Board or Chief Executive Officer (CEO), certain documentation may be maintained for a longer period of time.
- Paper 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. The organization employs various electronic systems and processes to complete the work associated with its fiscal operations (e.g., SpendBridge, Paychex, Nvoicepay). 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.

## Lines of Authority

## Governing Board

- Approves the fiscal policies and procedures and delegates administration of the policies and procedures to the CEO.
- 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 ExED-prepared financial dashboard and budget-to-actual variance analysis.
- Reviews the CEO's performance annually and establishes the salary.
- Reviews and approves all contracts over \$50,000.
- The governing board designates authority to the Board Chair, Board Treasurer, or Board Designee for contracts between \$25,000 and \$50,000.
- Reviews and approves all unbudgeted expenditures for payment over \$25,000. All expenditures, both budgeted and unbudgeted, that are over \$25,000 are reviewed for approval by the Board Treasurer during the payment approval process.
- Commissions the annual financial audit by an independent third party auditor approved by the State of California.
- In the event the CEO is not able to, appoints someone else to perform the duties of the CEO in the case of absence.
- Creates a Finance Committee, if desired, to delegate certain financial oversight duties to. The current description of the Finance Committee can be found [HERE](#).

## CEO

- Is responsible for all operations and activities related to financial management.
- Develops the annual budget with ExED.
- Reviews and approves all contracts under \$25,000.
- Reviews and approves all expenditures
- Oversees the adherence to all internal controls.
- Appoints someone else to perform his/her duties in case of absence.

## 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 strongly recommended to take annual vacations of at least five (5) consecutive days. During the vacation, responsibilities shall shift to another employee who has been cross-trained in those responsibilities. The organization will actively attempt to cross-train and rotate and/or share duties between staff members when possible to aid in fraud prevention.

# Financial Planning & Reporting

## Budgeting Process

### Policy:

In consultation with the CEO and COO, 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 and COO 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.
- ExED will ensure that the budget is developed using the organization's standard revenue recognition and cost allocation procedures.
- ExED, in consultation with the CEO, COO and Governing Board, 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 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.
- ExED will prepare financial statements displaying budget vs. actual results for presentation to the Governing Board at each board meeting.

## 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 any current check register(s) at each board meeting.
- COO and CEO will review financial reports each month.
- The Finance Committee will review the financial reports prior to each board meeting.
- ExED and/or the Finance Committee will present the financial reports to the Governing Board at each meeting.

## 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 (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 Governing Board 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 Governing Board will be responsible for reviewing the results of the annual audit and developing a corrective action plan to address all relevant weaknesses or findings noted in the audit report.
- 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 required reporting agencies no later than December 15.
- To support the functions in this section, the Governing Board will oversee the formation of an Audit Committee that conforms to the Nonprofit Integrity Act (Gov. Code 12586), when required based on the guidance of the Attorney General regarding the triggers for such a Committee.

## **Tax Compliance**

### **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, unless there is a state or federal extension of the required deadline.

**Procedures:**

- ExED will work with the tax preparer to complete the organization's tax returns.
- CEO 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.
- COO will submit the annual property tax exemption form to the County Assessor

### **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 will file quarterly payroll tax reports (941 and DE9) by the filing deadline.

## **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 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 exchange of money 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 as soon as possible .
- 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 office staff members. If possible, the person opening the mail should not also be responsible for making bank deposits.
- 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 Business Manager is responsible for the process for making bank deposits. Deposits will be made in a timely manner, not to exceed two weeks from the date of collection.

**Procedures:**

- The Business Manager will restrictively endorse each check received (e.g. For Deposit Only Yu Ming Charter School).
- Business 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 CEO or COO (or designee) will review and approve the deposit packet.
- The Business Manager will make the deposit and attach the deposit receipt to the deposit packet.
- Electronic deposits using software from the organization's banking institution(s) may be made in place of bringing a deposit physically to the bank. In this case, the bank's software will create the deposit receipt, which will be included with the deposit backup packet.
- The Business Manager will forward the deposit packet to ExED promptly.
- ExED will reconcile the cash receipts to the deposit slip and the bank statement as part of the monthly close process.

Acceptance of Gifts, including cash, securities, property, or other types of assets, which are donated to the organization is addressed in the Gift Acceptance Policy. The accounting procedures for various types of gifts and donations are also addressed in the Gift Acceptance Policy.

## Expense & Accounts Payable

### Payroll

**Policy:**

Employees are paid on a semi-monthly basis (15<sup>th</sup> and end of month). Under the supervision of the CEO, 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, or for some other reason does not complete a timesheet by the deadline, 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. If no timesheet is submitted, the organization will pay the employee for the best estimate of hours worked."
- Salaried employees are responsible for requesting leave in the payroll system, and supervisors are responsible for reviewing and approving leave requests submitted salaried employees.

**Payroll Additions, Deletions, and Changes****Policy:**

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

**Procedures:**

- The Head of Business Operations will submit via secure digital transfer, 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 Head of Business Operations or designee 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 Head of Business Operations or designee that payroll for that pay period is approved.

- Once processed, the payroll processor ExED Accounting Manager (AM) or Vice President (VP), and Head of Business Operations 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 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. This applies to employees who are not using direct deposit. Employees who enroll in direct deposit receive their paycheck information electronically.
- The Head of Business Operations will be responsible for opening the payroll package, reviewing reports for accuracy, and notifying ExED of any missing checks.
- The Head of Business Operations will distribute any physical pay stubs to employees on the check date.
- In the event school campuses are closed during the window in which checks would be delivered, physical checks will be mailed to the employee home addresses on file in the payroll system.

## 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 Head of Business Operations 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 or the The Head of Business Operations (or designee) will prepare the final check based on the final check calculation. ExED will provide ExED-generated checks to the school in accordance with the timelines required by law. The organization is responsible for 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 unless agreed to by the employee and the organization.
- 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 CEO. Any expenditure in excess of \$40,000 for the purchase of a single item should have bids from three (3) suppliers, if possible. Any food contract that exceeds \$250,000 (or 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 must approve any contract over \$50,000.

**Procedures:**

- All purchases over \$5,000 require a purchase requisition.
- The CEO 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. Confidential payee information for employees may be redacted from publicly available documents.

**Contracts**

- The CEO will consider in-house capabilities to accomplish services before contracting for them.
- The CEO or designee will keep and maintain a contract file evidencing the competitive bids obtained (if any were required) for any contract over \$40,000.
- The Business Manager 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 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 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 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 with the conflict will excuse themselves from discussions and from voting on the contract and will comply with applicable terms of Government Code 1090 as required.

**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. Organizational credit cards may be virtual cards or physical cards, and usage of cards will be monitored by COO and The Head of Business Operations. Any new virtual card platform will be reviewed by CEO and Board Treasurer and will be implemented in alignment with all fiscal policies.

**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 employee's supervisor. Should the CEO be required to complete a "missing receipt" form, authorization must be granted by the Board Treasurer or another designated board member if the Treasurer is unavailable for purchases over \$100.
- 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 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 Head of Business Operations

**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:**

- Designated Leadership Team members, including but not limited to The CEO, CAO, COO, and Director of Student Support Services have the authority to establish a contact with an independent contractor. The Head of Business Operations is responsible for verifying the desired independent contractor is appropriately classified using the ABC test as per California Labor and Workforce Development Agency standards
- 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.
- Independent contractors must submit detailed invoices approved by the corresponding Leadership Team member. These invoices must then be provided to the Business Manager for processing on a net 30 schedule, unless other billing terms are mutually agreed upon at the time of contract execution.
- 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 CEO must approve all invoices. Any invoice over \$25,000 must also receive approval from the Board Treasurer. The following procedures will be performed either manually or electronically.

### Procedures:

- 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.
- For invoices that are received manually (e.g., via email or mail), The Business Manager will open, review, and scan invoices and bills and upload them to Spendbridge. The Business Manager will notify the COO of any unexpected or unauthorized expense.
- The Business Manager will collect and upload all electronic invoices into Spendbridge sent directly from the vendor to the school (e.g., to a Leadership team member, to a designated distribution email, and/or The Business Manager directly)
- The Business Manager will code invoices to the correct budget line.
- Invoices are then routed to the CEO, and, when necessary, are then routed following CEO approval, to the Board Treasurer for review and 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 ExED.
- ExED will review the invoice for sufficient supporting documentation, verify the coding, and process payment.

## Cash Disbursements

### Policy:

Vendor payments will be issued upon receipt of appropriate documentation (e.g. vendor invoice, purchase order, packing slip, etc.).

### Procedures:

ExED employs two methods for issuing vendor payments:

#### Bank Check

- Once an invoice is approved by the CEO, and, when required, by the Board Treasurer, 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. If the check is being issued to the CEO, the facsimile signature stamp of the Board Treasurer will be used.
- ExED will distribute the check as follows:
  - Original – mailed or delivered to payee
  - Duplicate or voucher – saved electronically by an ExED accountant.
  - Should a check need to be voided, "VOID" will be written in ink on the signature line of the check.

#### Nvoicepay (outsourced payment provider)

- Once an invoice is approved by the CEO for payment, and, when required, by the Board Treasurer, the ExED Accounting Analyst will submit the invoice to Nvoicepay for payment. The ExED AM or VP will review the payments submitted to Nvoicepay and will approve or reject each vendor payment.
- After ExED has approved a vendor payment, Nvoicepay will electronically withdraw funds from the organization's bank account and transfer the funds to a Nvoicepay trust account. Each vendor payment will be a separate bank withdrawal and a separate line on the bank statement. Nvoicepay will then issue payments to the organization's vendor. The payments are disbursed from Nvoicepay's trust account via one of three payment methods: Check, ACH, or payment card. The payments will include a Reference ID that ExED will record as the transaction number in ExED's accounting system. The Reference ID will not be in sequence as it is based on Nvoicepay's numbering system.
- Nvoicepay will save an electronic check copy for any paper checks issued and Nvoicepay will save vendor remittances for any ACH or payment card payments issued.
- Nvoicepay will stale date payments after 60 days. When this situation happens, Nvoicepay will void the payment and credit the funds back to the organization's bank account. ExED may also direct Nvoicepay to reissue a payment prior to the 60-day deadline. In this case, Nvoicepay will void the original payment and issue a new payment. The new payment will be recorded as a payment modification and will be linked to the original payment in Nvoicepay. The new payment will have a new Reference ID for tracking purposes, however, the new Reference ID will not be updated in ExED's accounting system where the original Reference ID is recorded as the new transaction is only impacting Nvoicepay's account.

## Wire Transfers

### Policy:

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.). Any wire transfer over \$25,000 must also receive approval from the Board Treasurer or another designated board member if the Treasurer is unavailable. .

### Procedures for ExED executed wire transfers:

- ExED will initiate and execute wire transfers with supporting documentation for the following:
  - o Routine wires initiated and executed by ExED:
    - Semi-monthly Payroll transfers to Paychex per ReadyPay

### All other ExED executed wire transfers will adhere to the following procedures:

- o CEO will review all supporting documentation and approve.
- The organization will then send all documentation to ExED
  - o 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
- Organization will send all documentation to ExED

## Employee and Volunteer Expense Reimbursements

### Policy:

The organization will reimburse pre-authorized (if above the pre-authorization limit) 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.

**Procedures:**

- An employee or school volunteer seeking to make a school-related purchase must obtain pre-approval from the corresponding employee's manager (if above the pre-authorization limit).
- Employees will submit signed expense reports monthly, as necessary, to the 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 board.
- The Head of Business Operations will submit the approved expense report and supporting documentation to ExED.
- ExED will issue a reimbursement check after receipt of appropriate and complete documentation in accordance with the Accounts Payable processing schedule. Employees may also sign up for direct deposit and opt out of a physical check starting on their second issued reimbursement.
- Employees will submit expense reports within the fiscal year in which the expenses were incurred,
- Employees will submit expense reports with supporting receipts dated no more than 60 days prior to submission.
- The organization reserves the right to refuse reimbursement for any inappropriate expenses made or expense reports filed late or without pre-approval.

## Travel Expenses

**Policy:**

The CEO 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. Hotel rates will be negotiated at the lowest level possible, including the corporate, nonprofit or government rate if offered, and the lowest rate available.

If employees incur out of pocket costs for meals which are not included as part of the related event or as part of their accommodations, the school will reimburse for an amount up to the established guidelines for that school year. Employees are responsible for any costs over the established guidelines, unless the amount is pre-approved by an administrator. Reimbursement requests must be accompanied by itemized receipts. No employee shall be reimbursed for alcoholic beverages.

- Transportation expenses such as airfare will be purchased using the lowest cost passage for a reasonable itinerary. Employees will not be reimbursed for unnecessary travel upgrades, and purchase of first class travel is not allowable. Employees should utilize bus/shuttle service whenever possible. When traveling in groups, taxis or rideshare services may be more economical. Employees should choose between long-term parking, taxi, or rideshare service 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 their supervisor for approval and to The Head of Business Operations to upload for ExED to process .

## Governing Board 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 the Board Treasurer will approve and sign or otherwise electronically indicate approval, such as through email) the expense report, and submit it to ExED for payment.

## **Prohibition on Gifts of Public Funds**

The direct and primary purposes of all expenditures shall be for public education purposes. In no event shall public funds be spent on gifts for individual students, employees or community members. For example, flowers shall not be purchased if students, employees or community members are sick. Gifts shall also not be given as appreciation for work done by employees, students, or parents. Food and beverages may be purchased with school funds where doing so relates to a school purpose and is reasonable (e.g., a staff meeting during lunch), but school funds shall not be used to purchase food and beverage that does not relate to official school business (e.g., staff appreciation); food and beverage that does not qualify for purchase with school funds should be procured through donations or from external organizations (e.g., a booster club or Parent Teacher Association). The organization shall refer to the FCMAT California Charter School Accounting and Best Practices Manual and confer with legal counsel on expenditures and purchases that may potentially be considered or appear to be gratuitous in nature.

## **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. When considering the type of bank and accounts, the organization will consider such factors as the FDIC insurance limits and other additional insurance coverage that may be available.

#### **Procedures:**

- The CEO will obtain Governing Board approval before opening or closing a bank account.
- Governing Board will adopt an investment policy before funds are to be invested.
- The investment policy should be developed in consultation with a fiduciary financial advisor and legal counsel.

### **Capital Equipment**

#### **Policy:**

The organization capitalizes any item, purchased or donated, with a value of \$5,000 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 Business Manager 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.

## Disposal

All assets shall be disposed of as necessary consistent with the organization's foundational documents, such as the charter and non-profit documents, regarding disposal of public property, and may also develop a Sale and Disposal of Property Policy.

## Loans & Lines of Credit

### Policy:

The Governing Board will approve all loans or Lines of Credit 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 Governing Board 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 board at the time of adoption.
- Any draw of funds from a Line of Credit shall require written approval from the Chair of the Board and Finance Committee

## Insurance

### Policy:

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

- General Liability
- Property
- Workers' Compensation
- Professional Liability/Errors and Omissions/Educator's Legal Liability, including sexual abuse and molestation coverage
- Employment Practices Liability
- Directors' and Officers' Coverage
- Automobile insurance (If applicable for owned, non-owned, borrowed, leased, or hired automobiles)

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

### Procedures:

- The CEO or designee will carefully review insurance policies with the Broker on an annual basis prior to renewal to determine compliance with CharterSAFE authorizer and any applicable loan covenant requirements. Specifically, prior to procuring insurance, all policies shall be reviewed against the requirements set forth in the Memorandum of Understanding (MOU) with the Alameda County Board of Education, including with respect to the specific limits of coverage set forth therein.

- The CEO or designee will forward to ExED all insurance policies and related documents as requested

## **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.

## **Lease Standards**

### **GAAP Lease Standard Implementation:**

The ASC 842 standard for GAAP lease accounting requires all operational leases longer than 12 months to be recorded as assets and liabilities on balance sheets, effective for the 2022-23 fiscal year. Operational leases without a purchase option which are less than 12 months in duration will not be included.

### **Review of contracts:**

In order to implement this standard, Yu Ming Charter School will review all contracts, both during negotiations as well as after final execution, to determine if they meet the criteria of a "lease" as defined under the standard. A contract is or contains a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration (a payment). This right is considered a "right of use" asset and the corresponding payments for the use of the asset are considered the liability. If the determination of whether a contract contains a lease is not clear, Yu Ming Charter School will seek guidance from legal counsel and/or their audit firm to make the determination.

Some contracts may contain both lease and non-lease components (for example, a lease which also includes maintenance services).

### **Collection of information:**

Once it is determined if a lease exists, then the following additional information will be recorded using the lease tracking form or worksheet provided by ExED. The Business Manager will collect the information and provide it, along with a signed copy of the lease, to ExED.

- If there is there a transfer of ownership or an option to purchase at the end of the lease term
- If the lease is for something that is specialized and has no value to the lessor if the organization is not leasing it, in which case it may not be considered an operational lease
- The start date when the asset is available for use by the organization
- The term of the lease, including any options to renew or extend which will be reasonably certain to be exercised
- The "stand alone" amount of payment for the use of the asset portion of the lease
- The organization may use a practical expedient method when needed, if the amount for the use of the asset is not separated out from other non-lease costs in the contract
- Any applicable discount rates, using the rate implicit in the lease when determinable

**Determination of inclusion or exclusion and value of the lease:**

The information collected will be promptly provided to the ExED VP for review via the lease tracking form or worksheet provided by ExED. The ExED VP, using lease standard analysis software, and in consultation with the accounting team and appropriate school staff members, will assist in the calculation of the final amounts that need to be accounted for and will review the information for leases excluded from the calculations for reasonableness. If the determination of the value of a lease is not clear, Yu Ming Charter School will seek guidance from legal counsel and/or their audit firm to help make the determination. ExED will make the entry into the organization's balance sheet at the time of the next monthly closing, once the final determination for inclusion and value have been made. A copy of the tracking document will indicate the final determinations to include or exclude and the value of each lease and will be maintained in the organization's records for audit purposes.

The organization also elects to use the practical expedient option to set a threshold amount, under which the lease can be excluded. This threshold will be the same as the current amount used to determine a capital asset for the organization under the current fiscal policies. (see Section called Capital Equipment above). The value of the lease used to make the determination of whether it meets the threshold may be determined using the ExED software.

When negotiating and entering into contracts and leases, the organization will take into consideration the impact of the implementation of the lease standard to the organization along with business and financial risks, including the consideration of existing debt covenants, if any. Lease terms such as the length of the lease, options to renew, variable vs. fixed payments, and separation of lease vs. non-lease costs should be taken into consideration.

Annually, each March, an inventory of all contracts will be made by the Business Manager by comparing all leases to the designated tracking form or worksheet provided by ExED, and then indicating (either digitally or through another type of sign off) at least the following: the date of the annual inventory, the completeness of the list of contracts, and the determination of including or excluding the contract from being recorded as a right of use asset. The ExED VP will review the final inventory with the school leader and/or designee.

**Pre-Existing Leases:**

Yu Ming Charter School elects to follow the allowable practical expedients and apply the package (as listed below) to all of its active leases which were in place prior to the organization's implementation of the new lease standard in its financial statements. The package of these practical expedients include:

1. Yu Ming Charter School will not reassess whether any expired or existing contracts are or contain leases. The assessment is related to the classification of a contract previously not considered a lease under the old accounting standards.
2. Yu Ming Charter School will not reassess the lease classification for any expired or existing leases (for example, all existing leases that were classified as operating leases in accordance with [Topic 840](#) will be classified as operating leases, and all existing leases that were classified as capital leases in accordance with [Topic 840](#) will be classified as finance leases).
3. Yu Ming Charter School will not reassess initial direct costs for any existing leases with the exception of actual facility leases.

## Operating Reserves

**Policy:**

The organization will ensure adequate cash balances to meet annual cash flow needs. Any requirements of loans or bond financing will also be considered when determining the minimum cash balances and operating reserve fund. The target minimum operating reserve fund is recommended to be equal to 3 months of average operating costs. The organization will also comply with reserve requirements pursuant to the Memorandum of Understanding with the Alameda County Board of Education, which requires that the organization shall “maintain reserves of no less than three percent (3%) for the Charter School based upon the total expenditures and other uses of Non-Profit's Adopted Budget for the fiscal year.” 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 Governing Board at each regular board meeting
- It is the responsibility of the CEO and the Governing Board 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 Governing Board may designate a portion of the operating reserve fund for strategic goals.
- The Governing Board may develop an additional Operating Reserve Policy to specify use of the Operating Reserves