



**AFCS Fiscal Policy and Handbook**

**Adopted : 09/09/2024**

This manual has been developed to help charter schools follow legal requirements as well as FCMAT recommendations. The manual covers finance and best practices for operations in other areas. It is not intended to be exhaustive and creates no procedural or substantive rights for any individual, group, or entity.

The manual seeks to answer questions and provide guidance in many areas concerning charter schools, including laws, accounting, oversight, nonprofit or exempt status, internal controls, best practices and various roles and responsibilities.

FCMAT will publish periodic revisions to this manual.

**The Governing Board of America’s Finest Charter School ( “AFCS” )adopts, on an ongoing basis, the most recent Fiscal Crisis and Management Assistance Team (FCMAT) *California Charter School Accounting and Best Practices Manual* as America’s Finest Charter School’s accounting policies and procedures manual or to supplement the Charter School’s accounting policies and procedures . In the event of any conflict between the most recent FCMAT Charter School Accounting and Best Practices Manual and the AFCS’s accounting policies and procedures, the AFCS’s policies and procedures will prevail.**

**TABLE OF CONTENTS**

**1. Budget Development ..... 4**  
    Budget Development and Adoption Process..... 4  
    Reserve Balance ..... 4  
    Long-Term Financial Obligations..... 5  
**2. Financial Reporting & Cash Flow Management ..... 5**  
    Budget Structure..... 6  
    Interim Reports ..... 6  
    Budget Revisions..... 7  
    Unaudited Actuals ..... 7

Governmental Funds .....	7
<b>3. Generally Accepted Standards of Fiscal Management.....</b>	<b>7</b>
Donations .....	8
Filing of Governmental Returns.....	8
Reports Regarding Unrelated Business Income .....	9
Commingling of Funds.....	9
Loans to Third Parties and Organizations .....	10
Intra-organization Transactions .....	10
Nonprofit Integrity Act.....	10
<b>4. Cash Receipts.....</b>	<b>10</b>
<b>5. Accounts Payable .....</b>	<b>10</b>
<b>6. Authorization of Expenditures .....</b>	<b>10</b>
Advertised Bids.....	11
Sole Source .....	11
<b>7. Purchasing.....</b>	<b>12</b>
Invoicing & Receipts.....	12
Reimbursements .....	12
Non-reimbursable Expenses .....	13
Travel Credits Purchase .....	13
Contracts and Agreements.....	13
Incumbent Exception .....	13
Student Purchases .....	13
Receipt of Ordered Goods Procedure .....	14
<b>8. Credit Card Policy &amp; Procedures .....</b>	<b>14</b>
Overview.....	14
Purchasing.....	14
Reconciliation .....	14
<b>9. Debit Cards .....</b>	<b>16</b>
<b>10. Employee Travel.....</b>	<b>16</b>
Initial Approval .....	16
Employee Expense Reimbursement Form.....	17
Receipts.....	17
School Credit Cards .....	17
Necessity of Travel .....	17
Air Travel .....	18
Lodging.....	18
Meals .....	18
Ground Transportation .....	18
Private Vehicle.....	19
Lavish/Excessive Expenditures .....	19
Out-of-state travel.....	20
<b>11. Capitalization Policy .....</b>	<b>20</b>
Purpose .....	20

General Assets .....	20
Leases .....	20
Exclusions .....	20
Subscription-Based Information Technology Arrangements (SBITAs).....	21
Exclusions .....	21
Reassessment of Subscription Term.....	22
Impairment.....	22
Other Information.....	23
Lease Liability.....	23
Subscription Liability.....	24
Subscription Asset.....	24
Other Modifications and Terminations.....	25
Account Coding .....	25
Definitions.....	26
<b>12. Fixed Assets .....</b>	<b>27</b>
Fixed Asset Register .....	27
Removing or Disposing of Fixed Assets.....	27
Annual Inventory.....	27
<b>13. Banking .....</b>	<b>28</b>
Reconciliations .....	28
General Guidelines.....	28
<b>14. Investment of Fund Balance/Cash Reserve.....</b>	<b>28</b>
<b>15. Donations .....</b>	<b>29</b>
<b>16. Gift of Public Funds .....</b>	<b>29</b>
Unallowable Expenditures:.....	29
Allowable Expenses: .....	30
Other Considerations:.....	30
<b>17. Fraud .....</b>	<b>30</b>
<b>18. Political Activities, Political Contributions, Expenditures, and Uses of Assets and</b>	
<b>Resources .....</b>	<b>31</b>
<b>19. Annual Independent Audit.....</b>	<b>31</b>
<b>20. Risk Management Program .....</b>	<b>32</b>
<b>21. Injury and Illness Prevention Program.....</b>	<b>32</b>
<b>22. Document Retention and Destruction.....</b>	<b>33</b>
Document Protection .....	33
Document Destruction .....	34
Provision of Documentation for Investigations or Litigation.....	34
Electronic Documents.....	34
Documentation Retention Schedule .....	34

## 1. **Budget Development**

The Governing Board recognizes its critical responsibility for adopting a sound budget each fiscal year that is aligned with and reflects the school's vision, goals, priorities, Local Control and Accountability Plan (LCAP), and other comprehensive plans. The school budget shall guide decisions and actions throughout the year and serve as a tool for monitoring the school's fiscal health.

### **Budget Development and Adoption Process**

During January through May of each year, the school will begin preparing the draft preliminary budget under the direction and supervision of the Executive Director or designee, using all available data, including guidance from the Governor's proposed budget, the May Revise, monthly actual revenues and expenditures to date as well as planned adjustments for the coming year.

The school budget shall be developed by utilizing projections of average daily attendance (ADA), enrollment, the ratio of ADA to enrollment, Local Control Funding Formula (LCFF) revenue, salaries and benefits, other revenues and expenditures, facilities maintenance, deficit spending, fund balance, and reserves.

The Board may establish other budget assumptions or parameters which may take into consideration the stability of funding sources, legal requirements and constraints on the use of funds, anticipated increases and/or decreases in the cost of services and supplies, program requirements, and other factors necessary to ensure that the budget is a realistic plan for school revenues and expenditures.

The Board shall hold a public hearing on the proposed budget. The hearing shall occur at the same meeting as the public hearing for the school's LCAP.

The Board shall adopt the school's budget at a public meeting held after the public hearing date but on or before July 1 of each year. The Board shall adopt the budget following its adoption of the LCAP, or the annual update to the LCAP. The budget shall include the expenditures necessary to implement the LCAP or the annual update to the LCAP.

The Executive Director or designee may supplement this format with additional information necessary to communicate the budget effectively to the Board, staff, and public.

Prior to July 1 of each year, the final preliminary budget will be presented to the Board for final approval. Once approved, the Adopted budget will be submitted to the school's sponsoring entity by July 1 as required under the Education Code.

### **Reserve Balance**

The Board shall establish and maintain an Unrestricted Net Position for economic uncertainty that meets or exceeds the requirements of 5 CCR 15443. The Board intends to maintain a minimum Unrestricted Net Position in an amount the Board deems sufficient to maintain fiscal

solvency and stability and to protect the school against unforeseen circumstances. The Unrestricted Net Position for the school will be established at no less than **10%** of total expenses.

If the Unrestricted Net Position falls below the level set by the Board due to an emergency, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance, which may include dedicating new unrestricted revenues or reducing expenditures.

The goal for the Unrestricted Net Position is **three (3) months** of average expenditures based on the prior fiscal year.

The Restricted Net Position are amounts designated by the Education Code for specific purposes (Special Education, federal and state grants, etc.).

The Executive Director will work with the Governing Board to establish a fund of a minimum of **1%** of the current total budget expenditures to be used for Technology Replacement, Facilities, etc. The specific amount will be determined annually. Assigned Miscellaneous Reserves are Unrestricted but are in addition to the Unrestricted Net Position's goal of three (3) months of average expenditures based on the prior fiscal year.

### **Long-Term Financial Obligations**

The school's current-year budget and multiyear projections shall include adequate provisions for addressing the school's long-term financial obligations, including, but not limited to, long-term obligations resulting from employee bargaining agreements, leases, and settlements.

## **2. Financial Reporting & Cash Flow Management**

Education Code section 47604.33 requires charter schools to prepare a series of annual budget reports to be submitted to the chartering authority and the county Executive Director of schools of the county in which their sponsoring district is located.

Cash flow management involves tracking actual and projected revenues, expenditures, and cash receipts and disbursements to ensure that sufficient cash is available to meet all financial needs when due and that sufficient available reserves are maintained as a contingency in the event of unforeseen financial setbacks.

The School shall provide the following budget reports to its authorizer by the following dates:

1. On or before July 1, a preliminary budget.
2. On or before December 15, a first interim financial report reflecting changes through October 31.
3. On or before March 15, a second interim financial report reflecting changes through January 31.

- 4. On or before September 15, a final unaudited actuals report for the full prior year.
- 5. On or before December 15, the annual audit report will be presented.

These submissions shall be signed by the Executive Director/Chief Executive Officer (CEO) or designee.

**Reporting Schedule: SDUSD and SDCOE (July 1 through June 30)**

Description	J	A	S	O	N	D	J	F	M	A	M	J
Unaudited Actuals (prior fiscal year)			X									
Audit Report (prior fiscal year)						X						
Interim Reports (current fiscal year)						X			X			
Annual Budget (new fiscal year)												X

**Budget Structure**

America’s Finest Charter School’ annual budget will include exhibits that present the projected revenues, expenditures, and changes in fund balance for the fiscal year beginning July 1 and ending June 30 of the following year. The proposed budget will include the assumptions for developing revenue and expenditure projections.

The initial budget, interim reports, and the Unaudited Actuals shall include a Multi-Year Projection (MYP) for the current year and the following two fiscal years. In addition, the initial budget and the interim reports will include a corresponding monthly cash flow statement in the SACS format that shows year-to-date and projected revenues and expenditures as well as other transactions affecting cash, plus a beginning and ending cash balance, broken out monthly, for the current and one subsequent fiscal year.

**Interim Reports**

On or before December 15 and March 15, the Executive Director or designee will develop and present an updated interim annual budget to the Board for approval at a regular or special Board meeting. The interim budget shall reflect adjustments or revisions to the original budget made in response to changing financial conditions or needs of the school. The Board may elect to hold one or more budget planning meetings if deemed necessary prior to approval of each interim budget.

**Budget Revisions**

Not later than 45 days after the state budget is signed by the governor, the Executive Director or designee will present to the Board any budget revisions made necessary by the enactment of the state budget. In addition, budget revisions may be presented to the Board throughout the fiscal year if the school's financial circumstances significantly change.

### **Unaudited Actuals**

On or before September 15, the Executive Director or designee will develop and present the Unaudited Actuals to the Board for approval at a regular or special Board meeting. This report represents the finalization of the prior year's annual budget. This approved report will be submitted to WPUSD and PCOE on or before September 15, as required by law.

### **Governmental Funds**

The accounts of the Charter are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Charter resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Charter funds and account groups are as follows:

**General Fund** is the general operating fund of the Charter. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. America's Finest Charter School has no special revenue funds.

**Capital Projects Funds** are used to account for the acquisition and/or construction of all major governmental general fixed assets. America's Finest Charter School has no capital project funds.

## **3. Generally Accepted Standards of Fiscal Management**

Charter schools are required to meet generally accepted standards of fiscal management. It is now generally accepted that the primary responsibility for the fair presentation of financial statements rests with the reporting management of an organization. Accordingly, a process must be affected by a school's management and other Staff and designed to provide reasonable assurance regarding the achievement and maintenance of the following standards:

1. A fiscal year balanced budget that clearly defines achievable goals as defined in the school's charter and approved by the Governing Board in the form of a budget resolution.
2. Demonstrated compliance with federal and state laws/regulations, State Board of Education policies, and other compliance requirements.

3. Accounting records should properly and accurately record and account for all cash equivalent transactions, including actual cash. Accounting information should be relevant, reliable, comparable, and consistent and must be available for the preparation of reliable financial statements.
4. Maintenance of documentation that outlines internal controls on business practices and operations.
5. Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on public funds.
6. Transactions are executed in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on public funds.
7. Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.
8. Required independent audits are performed and submitted in a timely manner when due as prescribed by the California Department of Education.
9. The charter school should have documentation that supports its financial statements, and that reflects its financial position/condition, results of operations or changes in net assets, and, where appropriate, cash flows for any fiscal period/year.
10. Any necessary corrective action plans on any audit findings must be filed in writing, and proposed changes must be implemented in the subsequent fiscal year.

### **Donations**

On the occasion that a grant, donation, or gift card is donated to the school, the spirit of the intent in which the donation is received will be honored so long as it is lawful to do so. For example, if a donation is given specifically to provide science equipment for students, then the board authorizes that the funds be given outspent in accordance with this wish.

### **Filing of Governmental Returns**

The Senior Director of Administrative Services is responsible for ensuring that America's Finest Charter School follow all filing requirements. This includes, but is not limited to, filing the following:

- Annual information returns with the Internal Revenue Service (IRS)
- California charitable solicitation reports
- Annual reports for corporations
- Property tax returns
- Income tax returns



- Information returns for retirement plans
- Annual reporting of compensation paid
- Payroll withholding tax returns

The following list of reports and returns are the responsibility of the Back Office Organization designee

1. Form 990, Return of Organization Exempt from Income Tax
2. Form 990-T, Exempt Organization Business Income Tax Return
3. Form 199, Exempt Organization Annual Information Statement or Return (California)
4. Form 5500, Annual Return/Report of Employee Benefit Plan
5. Federal and State Payroll Returns
6. Form RRF-1, Registration/Renewal Fee Report to the Attorney General of California
7. SF-SAC, the data collection form for reporting audits of state, local government, and nonprofit organizations
8. Form 1099, Miscellaneous Income
9. Form 1096, Annual Summary and Transmittal of U.S. Information Returns
10. Form W-2, Wage and Tax Statement
11. Form W-3, Transmittal of Wage and Tax Statements

### **Reports Regarding Unrelated Business Income**

The Back Office Organization designee is also responsible for tracking and filing reports and returns relating to any unrelated business activities of the nonprofit. Funds generated from these activities should be kept in separate accounts in the charter school's general ledger to facilitate tracking and accumulation of unrelated trade or business activities.

### **Commingling of Funds**

The charter school prohibits commingling funds to such an extent that the funds become blended. Interfund, inter-school, or inter-departmental loans, and due-to and due-from transactions are allowable only with Board approval. For purposes of this policy, blending means that the identity, origin, and source of the funds are lost or unidentifiable. Financial records shall be maintained in a manner that allows auditors to trace, audit, and document all funds.

### **Loans to Third Parties and Organizations**

The Charter School shall not loan or transfer its funds to any third party or organization. Examples of third parties and organizations are employees, managers, board members, foundations, sole statutory members, parent organizations, and student body associations.

### **Intra-organization Transactions**

All intra-organization transactions shall follow the procedures contained in the Fiscal Crisis Management Assistance Team's Charter School Accounting and Best Practices Manual, as it may be revised from time to time.

### **Nonprofit Integrity Act**

If applicable, America's Finest Charter School shall follow the Nonprofit Integrity Act.

## **4. Cash Receipts**

All cash and checks must be deposited within thirty (30) days (except for periods when school offices are closed for extended periods). Cash and checks received may not be retained outside of the school's bank account to hold for future projects.

In order to maintain proper accounting controls, the Executive Director shall designate the the Back Office Organization designee to coordinate all transactions involving the safe handling of all deposits of receipts (cash, checks, etc). The school's Accounting office will maintain all proper records of the deposit.

## **5. Accounts Payable**

To provide guidance to America's Finest Charter School Business Department staff and outside vendors on payment terms, our goal is to pay undisputed invoices within 30 days from the date the Invoice is received (net 30). All incoming invoices are date-stamped to verify this date. If there are disputes with invoices, the school will not issue payment until the full resolution of the disputes.

## **6. Authorization of Expenditures**

The Expenditure authority is generally delegated to the Executive Director by the Governing Board through the adoption of the annual operating budget.

1. Credit card usage for expenditures is limited to approved expenditures.
2. The Executive Director shall implement a competitive bidding process that ensures the greatest value for the school's assets while taking into account unique circumstances and situations.
3. Only the Executive Director or designee may approve expenditures, authorize changes in employee pay, approve stipends, and transfer funds between accounts.
4. This policy does not apply to grant requirements, certain Sole Source sections (see

below), Special Education Services, Student Curriculum purchases, and Student enrichment/voucher purchases.

### **Advertised Bids**

The school shall purchase equipment, supplies, and services on a competitive bidding basis when required by law and in accordance with applicable statutory requirements for bidding and bidding procedures. In addition, formal bids may be required whenever it appears to be in the best interest of the school, in accordance with the foregoing purchasing policy.

To ensure that good value is received for funds expended, specifications shall be carefully designed and shall describe in detail the quality, delivery, and service required. Whenever a specific material or item(s) is identified in a request for bids or RFP, the item shall be followed by the words "or equal."

Where a competitive bidding process is used, the Governing Board may award the contract or purchase to the bidder who provides the best value to the school, which can include, but is not limited to, the consideration of factors such as purchase price, reputation of the contractor/vendor and of the contractor's/vendor's goods and/or services; quality of the contractor's/vendor's goods and/or services; extent to which the goods and/or services meet the school's needs; contractor's/vendor's record of past performance; contractor's/vendor's financial standing and capacity; contractor's/vendor's past relationship with the school; and total long-term cost to the school to acquire the goods and/or services. The Governing Board shall approve or ratify the award of all advertised bids in accordance with state law.

The Executive Director or designee may contract with an acceptable party who is deemed to be the most responsible bidder for the procurement or maintenance, or both, of electronic data-processing systems and supporting software in any manner the Board deems appropriate. Due to the highly specialized and unique nature of technology, telecommunications, related equipment, software, and services, because products and materials of that nature are undergoing rapid technological changes, and in order to allow for the introduction of new technological changes into the operations of the school, it is in the public's best interest to allow the school to consider, in addition to price, other factors such as vendor financing, performance reliability, standardization, life-cycle costs, delivery timetables, support logistics, the broadest possible range of competing products and materials available, fitness of purchase, manufacturer's warranties, and similar factors in the award of contracts for technology, telecommunications, related equipment, software, and services.

### **Sole Source**

Competitive bidding is not required for professional services (legal, architectural, instructional, consulting services, etc.), which are selected based on skills, experiences, and other qualities unique to individuals or where it is not reasonably likely to produce an advantage and when the advertisement for competitive bids is infeasible, impractical, or impossible. Any purchase of materials or services that are available from only one source, such as technology services that

are limited by license, patent, or copyright, requires written documentation confirming that there is only one source reasonably available. This written documentation would take the place of the required formal quote/bid and will be obtained and approved by the Executive Director or designee for expenditures within the limits established in this Policy.

If the Executive Director or designee wishes to procure a sole source contract consistent with the conditions set forth above, they shall present written justification to the Board for review and action at least 14 days prior to when the Board would need to take action to approve the proposed sole-source contract.

## **7. Purchasing**

School purchases must be pre-approved via a purchase requisition, contracts, and purchase order. Exceptions are for those purchases made via credit card whereby the vendor does not accept a purchase order. (see below).

The primary person responsible for approving all purchases shall be the Executive Director, who may designate additional individuals as purchasing approvers. **For contracts exceeding \$5,000,** Board approval is also required, as outlined in the specific procedures below.

### **Invoicing & Receipts**

All purchases must be accompanied by an invoice or receipt, depending upon the nature of the item and the purchase method. For payments made using a credit card, an itemized receipt shall be obtained and/or printed at the time of purchase. If a receipt is lost and no replacement is available, then an affidavit will suffice.

### **Reimbursements**

Reimbursement expenditures shall be allowed within certain criteria.

Reimbursements for purchases and travel should be made according to guidelines set by the school. Reimbursements apply to both employees and board members. The Executive Director is responsible for approving all reimbursements up to \$5,000. In addition, the Board president or their designee, will review all reimbursement requests prior to payment.

Approvals for reimbursement requests must be obtained prior to any purchase or travel. Exceptions must be approved by the Executive Director or designee.

The vast majority of expenses can and should be encumbered in advance through the accounts payable system rather than via reimbursement directly to individuals. This process supports the fiscal integrity of America's Finest Charter School and avoids even the appearance of impropriety in its financial transactions.

### **Non-reimbursable Expenses**

Some expenses are not considered valid business expenses yet may be incurred for the

convenience of the individual. Because these are not expenses for the benefit of America's Finest Charter School, they are not reimbursable.

### **Travel Credits Purchase**

In the rare case that non-refundable travel plans get canceled and the credit can not be practically used by the school, then the individual may purchase the travel credit for the credit value by reimbursing the school. Travel credit purchases must be approved by the Executive Director or designee.

### **Contracts and Agreements**

All contracts or agreements, including those for ongoing services, shall be negotiated by the Executive Director or designee to obtain such services in the most efficient and cost-effective manner and in the best interests of the school. In certain cases, the Senior Director of Administrative Services shall act as an agent of the Executive Director in negotiating administrative agreements such as insurance policies, long-term leases, and other agreements, subject to the Executive Director's approval. All such agreements must clearly define the scope of services to be performed and the price for such services. A file shall be maintained in the Business Services Department, which contains all documentation related to the contract/agreement as well as any research showing that the purchase is in the best interests of the school, including but not limited to any alternate bids received for the good/service. Any such agreements in excess of \$5,000, once negotiated, must be approved by the Board prior to the commencement of the contract to ensure they are in the best interest of the school and reflect reasonable market values. The Board may also recommend changes or revisions pending final approval. All contracts/agreements with a value less than \$5,000 will be ratified by the Board under the Consent Agenda. Any modifications or changes to existing contracts/agreements shall be made only in writing.

### **Incumbent Exception**

When the administration believes that continuing purchases/services from an incumbent vendor is in the best interest of America's Finest Charter School, then the administration will not seek additional approval if approval is already in place unless the new purchase amount exceeds the original approved purchase by 20%, or the amount is greater than \$5,000.

### **Student Purchases**

For student orders (excluding Special Education services/materials) for services and materials, ordering and posting of charges for the student occurs within our proprietary ordering Systems.

### **Receipt of Ordered Goods Procedure**

With the exception of student purchases and limited consumable staff office supplies, all ordered goods should be shipped to the School's main address, even during times of school closure during vacations and holidays, unless explicit instruction is provided by the Executive Director

or designee that an alternate address should be used. If goods are expected to be received during periods when school is closed, a staff member shall be directed to contact the appropriate shipping provider and instruct them to re-deliver the goods when school is again open. Staff members shall not receive ordered goods during school closures unless the Executive Director approves arrangements.

## **8. Credit Card Policy & Procedures**

### **Overview**

America's Finest Charter School maintains financial policies that comply with state and federal law and that incorporate best practices for oversight of financial assets. This procedure outlines the general policies related to handling and processing credit card transactions., which are intended to be used for emergency situations and in instances where a vendor does not accept purchase orders,

Credit card usage will be authorized by the Executive Director or designees for purchases where a vendor does not accept a purchase order. For example, travel, Costco, Online marketing vendors, etc.

**Under no circumstances should credit cards be used for personal expenditures.**

### **Purchasing**

Prior to placing an order/reservation with a vendor, all of the authorized credit card users will complete the Credit Card Usage Invoice Tracking Sheet with approval given by Executive Director or designees. The fund-coding will be identified for payment of the credit card statement. Once the form is completed, the budget is verified with appropriate approvals; the authorized person may make the order/reservation with the vendor. After the order/reservation is made, the completed Credit Card Usage Invoice Tracking Sheet will be retained until the monthly credit card statement is received. For emergency situations, the Credit Card Usage Invoice Tracking Sheet is submitted after the order/reservation is made, but preferably on the same day the order/reservation was made.

### **Reconciliation**

Once the monthly credit card statement is received by the Business Department, it will be shared with the user. The user will then review each of their charges and match the charge to the itemized receipt. It is the responsibility of the credit card user to obtain copies of the itemized charge slips and submit them to the Business Office for processing. Lost, misplaced, or missing itemized receipts must be located or explained. A missing charge will be explained through a signed memo summarizing the purchase and an explanation of how the charge meets the definition of a valid expense. The Business Office will not be able to process payment without the itemized charge slips.

Charges will be made by authorized personnel who have signed the Credit Card Acknowledgement form.

## **CREDIT CARD GUIDELINES AND ACKNOWLEDGEMENT**

The Bank Corporate Card is to provide coverage for emergency situations and/or instances where an approved vendor does not accept purchase orders. You are empowered as a responsible agent to safeguard America's Finest Charter School assets. Your signature below is verification that you have read and agree to comply with the following:

1. I understand the credit card is for approved purchases only, and personal expenses are prohibited, even if you intend to pay the school for such expenses.
2. If meal charges are incurred while using the credit card, the maximum allowable tip is 18%. No alcohol may be purchased using the credit card. An itemized receipt will be provided.
3. Improper use of this credit card will be considered a misappropriation of funds. This may result in disciplinary action up to and including termination of employment.
4. If the credit card is lost or stolen, I will immediately notify U.S. Bank by telephone. I will confirm the telephone call by email with a copy of the notification sent to the Back Office Organization designee and the Executive Director/CEO.
5. I agree to surrender the credit card immediately upon termination of employment, for voluntary or involuntary reasons, and retirement.
6. I will not allow any other person to use the credit card without my authorization. I am responsible for authorizing any-and-all charges against the card.
7. This credit card is America's Finest Charter School property. I understand that I may be periodically required to comply with internal control procedures designed to protect organization assets. This may include being asked to produce the credit card and account number to validate its existence.
8. I will retain itemized customer copy receipts of the credit card charge slips, including appropriate details to identify expenditures. It is the responsibility of the credit card user to obtain copies of the charge slips.
9. I am responsible for all charges (but not payment) on the credit card. Therefore, I will resolve any discrepancies by either contracting the supplier or the bank.
10. The use of the school credit card is extended as a privilege and may be revoked at any time for misuse.

I acknowledge that I have access to credit card #

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Employee Signature

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Employee Title

## **9. Debit Cards**

Organization debit cards are not permitted.

## **10. Employee Travel**

America's Finest Charter School recognizes that employees may be required to travel or incur other expenses from time to time. The purpose of this Policy is to ensure that (a) adequate cost controls are in place, (b) travel and other expenditures are appropriate, and (c) to provide a uniform and consistent approach for the timely reimbursement of authorized expenses incurred by staff. Our policy is to reimburse only reasonable and necessary expenses actually incurred by staff.

When incurring business expenses, the school expects staff to:

1. Exercise discretion and good business judgment with respect to those expenses.
2. Be cost-conscious and spend money as carefully and judiciously as the individual would spend their own funds.
3. Report expenses, supported by required documentation, as they were actually spent.

### **Initial Approval**

For both single trips and ongoing travel costs, written approval (which may be in the form of an e-mail) must be given by the Executive Director or designee prior to travel costs being incurred, and a printed copy of the written approval should be provided along with the Employee Expense Reimbursement forms at the time reimbursement is requested (see below). The travel approval should contain a brief description of the travel being approved, including dates, destination, and purpose for the trip. Repeat trips may be approved in a single approval (for example, approving a weekly trip).

Cost caps for various travel costs are listed later in this Policy. For reimbursement to be provided in excess of these cost caps, explicit pre-approval to exceed caps must be included in the approval document provided by the Executive Director or designee. Without prior written explicit approval, no reimbursement for costs in excess of the cost caps will be provided after the fact.



## **Employee Expense Reimbursement Form**

Expenses will not be reimbursed unless the individual requesting reimbursement submits a written Employee Expense Reimbursement form. The Employee Expense Reimbursement form shall be submitted after the completion of travel if travel expense reimbursement is requested and must include:

1. The individual's name;
2. The date, destination, and purpose of the trip (should match information on the approval document);
3. An itemized list of all expenses for which reimbursement is requested;
4. If the item cost exceeds the cap, explicit authorization is required on the approval document to exceed caps;
5. Account string.

## **Receipts**

Receipts are required for all expenditures, whether billed directly to the school, paid with a school credit card, or paid by the employee for later reimbursement. No expense will be reimbursed to staff unless the individual requesting reimbursement submits with the Employee Expense Reimbursement form with original receipts from each vendor showing the vendor's name, a description of the services provided, the date, and the total expenses, including tips (if applicable). A credit card printout showing only the total purchase cost and date is insufficient, except in the case of receipts such as parking garages, tolls, or other single charges that do not provide itemized receipts.

## **School Credit Cards**

If a school credit is issued to staff for travel or other organization-related expenses, copies of all receipts must be retained for audit purposes, although an Employee Expense Reimbursement form need not be filed if no reimbursement is requested. The monthly credit card statement is not an acceptable substitute for individual receipts. No charges may be made for non-business expenses under any circumstances.

## **Necessity of Travel**

In determining the reasonableness and necessity of travel expenses, the employee and supervisor shall consider the ways in which the school will benefit from the travel and weigh those benefits against the anticipated costs of the travel. Less expensive alternatives, such as participation by telephone or video conferencing or the availability of local programs or training opportunities, shall be considered. However, cost is not the sole consideration - a reasonable balance should be struck between cost and convenience, with the final goal being the best combination of cost and benefit.

## **Air Travel**

Air travel reservations should be made as far in advance as possible in order to take advantage of reduced fares. Economy or Premium Economy should be selected in all cases unless explicit authorization from the Executive Director or designee, including reason, is provided for Business/First class. Staff may choose to upgrade school-paid fares to a higher class if paid directly by the staff member (upgrade charge cannot be on a school credit card or charged to the school and later reimbursed). Airline lounge passes may not be paid or reimbursed by the school.

## **Lodging**

Staff traveling on behalf of the school may be reimbursed at the single room rate for the reasonable cost of hotel accommodations. Convenience, the cost of staying in the city in which the hotel is located, safety, and proximity to other venues on the individual's itinerary shall be considered in determining reasonableness. Hotels that do not clearly meet the above criteria should be pre-approved in writing when requesting overall approval for the trip. Staff shall make use of available corporate and discount rates for hotels. Staff may choose to upgrade school-paid room charges, add incidental charges, or otherwise increase the cost of stay only if paid directly by the staff member (upgrade charge cannot be on a school credit card or charged to the school and later reimbursed). Charging questionable incidentals may lead to revocation of any future hotel incidental charges and/or discipline of the employee.

## **Meals**

The maximum amount to be reimbursed for meals is \$65.00 per day with receipts. Meal costs in excess of the above will not be reimbursed unless explicitly pre-authorized in advance. If traveling to an expensive city or area, staff are advised to seek pre-approval of higher caps when obtaining overall trip approval. America's Finest Charter School shall not reimburse for any alcohol purchases.

## **Ground Transportation**

Employees are expected to use the most economical ground transportation appropriate under the circumstances and should generally use the following, in this order of desirability:

***Courtesy Shuttles:*** Many hotels have courtesy shuttles, which will take you to and from the airport at no charge. Employees should take advantage of this free service whenever possible.

***On-Demand Car Services or Taxis:*** When courtesy cars and airport shuttles are not available, an On-Demand Car Service or taxi is often the next most economical and convenient form of transportation when the trip is for a limited time, and minimal mileage is involved.

***Rental Cars:*** Employees will be allowed to rent a car while out of town, provided that

the total cost is estimated to be less than the total cost of alternative methods of transportation. Gas charges to refill the car are reimbursable.

**Carpools:** Are strongly encouraged when two or more employees need to travel to the same destination and would otherwise do so in separate privately owned vehicles unless other official business circumstances make such pooling impractical and more costly.

### **Private Vehicle**

Employees who use private vehicles in the course of their official duties are required to have in their possession a valid driver's license and carry current automobile insurance with at least the minimum coverage for public liability and property damage as specified by the State. Any traffic violation shall be the responsibility of the employee. When using private vehicles, the employee should document in their expense report the dates, miles traveled, and business purpose of each trip.

**Personal Cars:** Staff are compensated for the use of their personal cars when used for business travel. When individuals use their personal car for such travel, including travel to and from the airport, mileage will be allowed at the currently approved IRS rate per mile.

**Parking/Tolls:** Parking and toll expenses, including charges for hotel parking, incurred by staff traveling on organization business will be reimbursed. The costs of parking tickets, fines, car washes, parking tickets, etc., are the responsibility of the employee and will not be reimbursed. On-airport parking is permitted for short business trips. For extended trips, staff should use off-airport facilities to the greatest extent practical. For toll roads and bridges, when a receipt is not practical and the amount is more than \$5.00, the amount and the road or bridge should be identified.

### **Lavish/Excessive Expenditures**

The school discourages expenses in any category that could be perceived as lavish or excessive, as such expenses are inappropriate for reimbursement by the school. Some examples of excessive spending include but are not limited to:

1. Limousine/town car service;
2. Beach resort accommodation;
3. Sporting/golf events;
4. Music events/festivals/concerts;
5. 4-star and above hotels (unless clear reasons can be shown why a 4 star or above hotel should be used. For example the hotel is hosting the event and offers a conference rate or proximity to the event);

## 6. Alcohol

### **Out-of-state travel**

Out-of-state travel must include a complete explanation of the purpose and benefit to the school and have prior approval from the Executive Director.

## **11. Capitalization Policy**

### **Purpose**

This policy states the capitalization threshold America's Finest Charter School (AFCS) has established, provides guidance to AFCS staff about when it is appropriate to capitalize, and describes the measurement and accounting treatment under the respective FASB Statements.

**Effective date: Retroactive to July 1, 2024**

### **General Assets**

AFCS has established a capitalization threshold of **\$5,000** for tangible assets which have a service life of more than one year. This may include, but is not limited to, furniture, equipment, technology, and vehicles.

Tangible assets that have a value of less than \$5,000 or a service life of less than one year, will not be capitalized as AFCS has determined that such assets are not material to its financial statements.

The capitalization threshold will be reviewed regularly.

### **Leases**

AFCS has established a capitalization threshold of **\$179,830** or more in aggregate payments during the lease term for Leases that are subject to the requirements of FASB ASC 842 (subject to the exclusions below). The capitalization threshold was calculated at three percent (3%) of the AFCS prior fiscal year's Local Control Funding Formula.

### **Exclusions**

Leases that meet one of the exclusions shown below will not be capitalized as AFCS has determined that such leases are not material to its financial statements:

- Leases whose payments in aggregate during the lease term are below the capitalization threshold.
- A short-term lease (a lease that at the beginning of its term, has a maximum possible term under the contract, including any option to extend, of 12 months or less).
- Leases that transfer ownership and do not contain termination options.

- Leases of assets that are investments.
- Intangible assets (mineral rights, patents, software, copyrights).
- Biological assets (timber, living plants, living animals).
- Supply contracts.
- \$1 Leases or similar, not an exchange/exchange-like transaction.

The capitalization threshold will be reviewed regularly and adjusted as conditions warrant to ensure compliance with FASB ASC 842 and any subsequent amendments.

### **Subscription-Based Information Technology Arrangements (SBITAs)**

AFCS has established a capitalization threshold of **\$179,830** in aggregate payments during the SBITA contract for SBITAs that are subject to the requirements of FASB Subtopic 350.40 (subject to the exclusions below). The capitalization threshold was calculated at three percent (3%) of the AFCS prior fiscal year's Local Control Funding Formula.

### **Exclusions**

SBITAs that meet one of the exclusions shown below will not be capitalized as AFCS has determined that such SBITAs are not material to its financial statements.

SBITAs that are not classified as short-term and whose aggregate payments made or received exceed the Capitalization Threshold will be capitalized in compliance with FASB Subtopic 350.40, except as noted below:

- SBITAs whose payments in aggregate during the subscription term are below the capitalization threshold.
- A short-term SBITA (maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised).
- SBITAs that provide the government with ownership or indefinite use of the vendor's IT assets, arrangements for internally generated software, or commercially available software acquired through perpetual licensing agreements.
- SBITAs that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in FASB Statement ASC 842, Leases.
- SBITAs that are not considered subscription-based, such as contracts that solely provide IT support services.
- Contracts in which AFCS provides the right to use its IT software and associated capital assets to other entities through SBITAs.

- Contracts that meet the definition of a public-private and public-public partnership.

### **Reassessment of Subscription Term**

AFCS will reassess the subscription term only if one or more of the following occur:

- AFCS or the SBITA vendor elects to exercise an option even though it was previously determined that it was reasonably certain that AFCS or the SBITA vendor would not exercise that option.
- AFCS or the SBITA vendor elects not to exercise an option even though it was previously determined that it was reasonably certain that AFCS or the SBITA vendor would exercise that option.
- An event specified in the SBITA contract that requires an extension or termination of the SBITA takes place.

### **Impairment**

The impairment of an SBITA asset occurs when its carrying amount exceeds its recoverable amount.

AFCS will evaluate its SBITA assets at least annually for indications of impairment, such as a significant change in the fair value of SBITA assets or a change in the assets' intended use. If such indications are present, AFCS will take the following steps:

1. Identify the assets to be tested for impairment.
2. Determine, to the extent practicable, the fair value of the assets. If the fair value cannot be readily estimated, the present value of expected future cash flows may be used.
3. Determine the recoverable amount of the SBITA asset. The recoverable amount is the higher of its fair value, less the costs to sell or the asset's value in use.
4. Compare the recoverable amount of the asset to its carrying value. If the carrying value exceeds its recoverable amount, the asset is considered impaired.
5. Determine if the impairment is temporary.
  - a. If the decline in value is believed to be temporary, the asset may continue to be held until the value recovers. No further action is required.
  - b. If the decline in value is not temporary, adjust the carrying amount of the asset to agree with its fair value.
6. If an impairment is identified and it is determined to be other than temporary, calculate the impairment loss and recognize the loss as an expense on the financial statements of the year in which the impairment occurred.

- a. Document the method used to estimate the asset’s fair value to support the calculation of the impairment loss.

The capitalization threshold will be reviewed regularly and adjusted as conditions warrant to ensure compliance with FASB Subtopic 350.40 and any subsequent amendments.

All changes to this policy shall be approved by the Executive Director/CEO.

**Other Information**

Under FASB ASC 842, AFCS will recognize a right-to-use lease asset and a corresponding lease liability. The lease liability should be recognized at the start of the lease term when the leased asset is placed into service.

Under FASB Subtopic 350.40, AFCS will recognize a right-to-use subscription asset and a corresponding subscription liability. The subscription liability should be recognized at the start of the subscription term when the subscription asset is placed into service; this occurs when the initial implementation phase is complete and AFCS obtains control of the right to use the underlying IT assets.

**Lease Liability**

As of the commencement date of a lease, the lessee measures the liability and the right-of-use asset associated with the lease. These measurements are derived as follows:

**Lease Liability:** The present value of the lease payments, discounted at the discount rate for the lease. This rate is the rate implicit in the lease when that rate is readily determinable. If not, the lessee instead uses its incremental borrowing rate.

**Right-of-Use Asset:** The initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

**Determining Lease Term**

Noncancelable Period
+ Period covered by an option to terminate when it is NOT certain to be exercised
+ Period covered by the option to extend when it is reasonably certain to be exercised
= Total Lease Term

AFCS will reassess the lease term if one or more of the following occurs:

- Lessee or lessor elects to exercise an option even though originally determined that the lessee or lessor would not exercise that option.

- Lessee or lessor elects not to exercise an option even though it was previously determined that the lessee or lessor would exercise that option.
- An event specified in the contract that requires an extension or termination of the lease takes place.

**Subscription Liability**

The subscription liability is initially measured as the present value of subscription payments expected to be made during the subscription term. Subscription payments are discounted at the implicit rate when known; if unknown, a reasonable incremental borrowing rate will be used.

The discount on the subscription liability is amortized over subsequent accounting periods. The amortization is calculated using the effective interest method, which results in a constant periodic interest rate applied to the outstanding balance of the subscription liability. The effective interest rate is calculated at the inception of the subscription liability and is based on the discount rate used to measure the liability, adjusted for any changes in the liability’s expected cash flows.

Any subscription payments made should be allocated first to the accrued interest liability and then to the subscription liability. The financial statements should include disclosure of the amount of interest expense recognized during the reporting period and the amount of the discount on the subscription liability that has been amortized to date (i.e., accumulated amortization).

**Subscription Asset**

The subscription asset is measured at the commencement of the subscription term, which occurs when the initial implementation stage is completed, and AFCS has obtained control of the right to use the underlying IT assets.

The subscription asset is recognized and initially measured as follows:

The initial subscription liability amount
+ Payments made to the SBITA vendor at or before commencement of the subscription term
+ Capitalizable implementation costs
- Incentives received from the SBITA vendor at or before commencement of the subscription term
= Subscription Asset amount

The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset begins at the commencement of the subscription term and is reported as an



outflow of resources (e.g., amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. The amortization of the subscription asset is calculated using the straight-line method, which results in a constant periodic amortization amount over the subscription term.

The periodic amortization amount is calculated as the initial measurement of the subscription asset, less any residual value, divided by the shorter of the subscription term or the useful life of the underlying IT assets. The amount of the subscription asset recognized during the reporting period, the amount of accumulated amortization, and the remaining useful life of the subscription asset should be disclosed in the financial statements.

### **Other Modifications and Terminations**

Modifications or terminations of SBITAs may require the re-measurement of the SBITA asset and liability. If the modification results in the addition of a new SBITA asset, as opposed to an addition to an existing asset, it will be treated as a new SBITA asset.

### **Account Coding**

The following are some examples of the accounts that might be used when making accounting entries under this policy:

Right-to-use [Lease/SBITA] Asset

Right-to-use [Lease/SBITA] Liability

Right-to-use [Lease/SBITA] Current Liability

Interest Expense – [Lease/SBITA] Asset

Depreciation Expense – [Lease/SBITA] Asset

[Lease/SBITA] Accumulated Depreciation

### **Definitions**

**Lease:** A contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified by the contract for a period of time in an exchange or exchange-like transaction.

**Short-term lease:** A lease that, at the beginning of its term, has a maximum possible term under the contract, including any option to extend, of 12 months or less.

**Financed purchase:** If a contract (1) transfers ownership of the underlying asset to the lessee by the end of the contract and (2) does not contain termination options other than

fiscal funding or cancellation clauses, the contract is not a lease and should be reported as a financed purchase.

**Finance Lease:** A finance lease is a leasing arrangement in which the lessee obtains ownership of the leased asset by the end of the lease term. With the implementation of FASB ASC 842 effective for fiscal years beginning after June 15, 2021, there is no longer an operating vs. capital classification. Instead, all leases will be referred to as financing leases.

**Subscription-based information technology arrangement (SBITA):** A contract that conveys control of the right to use another party’s (an SBITA vendor’s) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

**Short-term SBITA:** Subscription-based information technology arrangements that have a maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs are recognized as outflows of resources (e.g., expenditures).

**Subscription term:** The period during which AFCS has a noncancelable right to use the underlying IT assets (referred to as the non-cancelable period), plus the following periods, if applicable:

- Periods covered by AFCS’s option to extend the SBITA if it is reasonably certain, based on all relevant factors, that AFCS will exercise that option.
- Periods covered by AFCS’s option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that AFCS will not exercise that option.
- Periods covered by an SBITA vendor’s option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will exercise that option.
- Periods covered by an SBITA vendor’s option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will not exercise that option.

**Cancelable periods:** Periods in which both AFCS and the SBITA vendor have the option to terminate the SBITA without requiring the permission of the other party (or if both parties have to agree to extend).

**Noncancelable period:** The period of a contract during which the contract cannot be terminated without the consent of the other party.

## 12. Fixed Assets

In order to provide adequate insurance coverage and ensure control and accountability of all capitalized and non-capitalized assets, an inventory must be maintained for all items with a value of \$5,000 or more. This Inventory Record shall include the asset description, location, and ID

tag/serial number, and for items exceeding \$5,000, shall reference the corresponding entry in the Fixed Asset Register for capitalized assets. All inventoried items shall be tagged with a unique identification tag.

### **Fixed Asset Register**

Assets with a single value of \$5,000 or more (or a collection of items such as a computer lab or set of similar furniture that has a system value of over \$5,000) and a useful life of more than one year are considered "fixed assets," meaning they are included as assets on the school's balance sheet (rather than as expenses such as books and supplies) and the cost of these assets is spread out over the useful life of the asset. This process is called "capitalization" and involves including the value of the asset on the school's balance sheet at acquisition and charging a portion of the item's value as "depreciation" each year over its useful life. In order to properly account for capitalized assets, a Fixed Asset Register must be maintained for all capitalized assets and shall include asset description, acquisition date, cost basis, depreciation expense, accumulated depreciation, and useful life. The Senior Director of Administrative Services or designee is responsible for maintaining the fixed asset register. The fixed asset register will be reviewed quarterly and signed off by a second staff member who is not directly involved with the maintenance of the fixed asset register.

### **Removing or Disposing of Fixed Assets**

Sold/obsolete fixed assets should be accounted for. When an item is either sold or is no longer on America's Finest Charter School premises, the responsible person for that asset must notify the accounting department and provide the following information: Date sold, amount received from sale, serial/unique identification number for the item being sold or obsolete. This information is necessary for the accounting department to reconcile the item in the general ledger system and to remove it from the fixed asset records. Depending on the total cost of the item, the Executive Director may report out items for disposal to the Governing Board by way of Board Consent.

### **Annual Inventory**

At the end of each fiscal year, upon a date determined by the Executive Director or designee, a comprehensive physical inventory shall be conducted of all inventoried assets of \$5,000 or more (including all fixed assets), reconciling the Inventory Record, the Fixed Asset Register, and the information in the general ledger to match the results of the physical inventory.

## **13. Banking**

The Governing Board, by resolution, shall designate a depository or depositories for custody of Horizon Charter School funds. Said depositories shall give the school sufficient information to guarantee against possible loss as required by law. All bank accounts shall be established in America's Finest Charter School' name with prior Governing Board approval of the initial authorized signers. Check signing authority should be assigned to at least three individuals. The

number of authorized signers should be kept to a minimum while ensuring that daily business is not unnecessarily hampered. the Back Office Organization or designee will maintain a log of authorized check signers for each account. Annually, with respect to all existing bank accounts, the Governing Board shall review and approve all authorized signers and approve the continuing need for each account. Only individuals authorized by the Governing Board may sign checks or transfer funds from any such depositories.

### **Reconciliations**

All bank statements will be reconciled monthly by the Senior Director of Administrative Services or designee who does not participate in cash handling. Reconciled bank statements will be reviewed, signed and dated, by a second staff member who is not involved in the reconciliation process.

### **General Guidelines**

1. All funds received by the school from any source shall be promptly deposited in a financial institution deposit account established by a resolution of the Governing Board.
2. The following classes of accounts shall be maintained for the school:
  - a. General Fund (63) and Payroll Fund (76) with the San Diego County Treasury.
  - b. Clearing Account to allow deposits to age and clear prior to depositing into the Treasury Account.

## **14. Investment of Fund Balance/Cash Reserve**

As authorized by resolution(s) of the Governing Board, the Executive Director or other persons designated by the Governing Board shall invest within the limitations of the California Government Code and this Investment Policy, idle funds not immediately needed by America's Finest Charter School for the purpose of earning interest income.

The school's general policy is to invest idle funds with the San Diego County Treasury.

## **15. Donations**

America's Finest Charter School may receive donations of cash, supplies, or equipment from parents, students, community members, and business entities. Any donation must be voluntary and cannot be a condition for admission or continued enrollment.

Donations may be received but should never be deposited, acted on, or put to use until the Executive Director has formally approved and accepted the donation. Once the donated funds are approved, the donation belongs to the school.

If the donation is cash or check, the Business Services Department will deposit the funds and record the revenue as a donation. The school budget will be adjusted to allow the Executive Director or designee to use the funds. A separate budget will be set up to identify donor funds and to show how those funds have been expended. Funds that remain unexpended at year-end are carried over to the new budget year.

Donations for the purchase of supplies and/or equipment should follow the procedures as stated above. No supplies and/or equipment should be purchased until the funds have been received and accepted. Additionally, if the donor has stated that the funds are to be used for a specific purpose, the donated funds may only be used for that purpose.

If a donor has supply and/or equipment items they wish to donate to the school, then the Executive Director or designee must accept the donation, and those items become the property of the school. If the supplies and/or equipment have no reasonable use or purpose for the school, the donation should not be accepted.

## **16. Gift of Public Funds**

As a public agency, schools are subject to the constitutional prohibition against gifts of public funds.

Expenses are likely justified when they will directly benefit the education of students in the school.

### **Unallowable Expenditures:**

1. A social gathering where a meal is provided for employee recognition, such as for teacher appreciation, secretary day, etc.
2. Contributions or donations to religious, community, charity, or other non-profit groups.
3. Purchase of flowers for personal gift.
4. Purchase of gift cards.
5. Giving flowers or items to convey compassion, sympathy or meet a perceived moral obligation.
6. Presents or gifts to anyone, including employees, volunteers or students.
7. Alcohol.
8. Holiday or other staff parties or picnics.
9. Employee reimbursement for mileage from their residence to their place of work.

### **Allowable Expenses:**

1. Instructional materials and textbooks.

2. Research and promotional activities to advance public education.
3. Refreshments/meals for meetings for the purpose of conducting school business (e.g., curriculum meetings during lunch). Please have a meeting agenda as supporting documentation.
4. Snacks, refreshments, and food for students during the course of the school day that are deemed to contribute to the educational process (e.g., during testing).

**Other Considerations:**

1. To the maximum extent possible, please use the established purchase order process when making purchases. If a vendor does not accept purchase orders, then an itemized receipt must be submitted for reimbursement.
2. Please remember if a proposed expenditure seems questionable, then it probably is.
3. If you have questions regarding a proposed expenditure, please call the Senior Director of Administrative Services' office or the Executive Director's office.

**17. Fraud**

All allegations of fraud or misconduct should be treated and examined confidentially. The Governing Board, or its designee, has the primary responsibility for investigating all allegations of fraud or misconduct. The results of any investigation will only be discussed with those who need to know.

The Governing Board, or its designee, has the authority to use all reasonable and legal means needed to carry out an investigation. This includes free and unrestricted access to all records and facilities and the authority to examine, copy, or remove contents of computers, files, desks, Executive Directors, or other storage facilities without the prior knowledge, notice, or consent of anyone responsible for the custody or oversight of such records and facilities.

If an investigation indicates that fraud or misconduct may have occurred, a report shall be issued and decisions made regarding disciplinary actions, referral to law enforcement, or other action. All decisions to refer the investigation results to the appropriate law enforcement and/or regulatory agencies should be made in consultation with legal counsel.

**18. Political Activities, Political Contributions, Expenditures, and Uses of Assets and Resources**

America's Finest Charter School' administrators, employees, governing board members, or other representatives may engage in political activities on their own time, using their personal assets and resources; however, they may not act or appear to be acting on behalf of America's Finest Charter School and may not use any of America's Finest Charter School resources to assist in political activities.

America's Finest Charter School must comply with all federal, state, and local laws and regulations regarding political activities, political contributions, lobbying, and expenditures. America's Finest Charter School funds and assets cannot be used to support or oppose candidates for public office or to engage in political activities including, but not limited to, the following:

- Contributions to, or support/opposition for, political parties or political action committees.
- Contributions to, or support/opposition for, campaigns of individual candidates for public office, including all federal, state, and local elections.
- Contributions to, or support/opposition for, ballot measures, referenda, or recall efforts.
- Purchasing, selling, printing, or assisting in printing any political materials, such as pamphlets, fliers, bumper stickers, or posters.
- Publication of political advertisements via TV, radio, signs, billboards, mail, email, telephone, text message, or the internet (e.g., on America's Finest Charter School website or sharing links to another website).

At the Governing Board's discretion, America's Finest Charter School (AFCS) may engage in legislative lobbying and/or employ third parties that act on AFCS's behalf, within the limits of the law, to present information or advocate for or against laws, regulations, or policies that impact charter schools or the ability to support our student's success. In no event shall such lobbying expenditures exceed 5% of the AFCS budget or any future IRS rules, regulations, or determination for what constitutes a "substantial part" of AFCS activities.

Horizon Charter School shall comply with applicable requirements of the Political Reform Act when hiring a lobbyist or expending funds to influence legislative or administrative action, as well as any applicable local ordinances.

## **19. Annual Independent Audit**

The Governing Board will contract 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, the 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. At least every six 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.

## **20. Risk Management Program**

The Governing Board strongly supports a risk management program that protects school resources and promotes the safety of students, staff, and the public. The Executive Director or designee shall establish a risk management program that uses effective safety and loss control practices. The school shall strive to keep its liability at a minimum and its insurance premiums as low as possible while maintaining adequate protection. To determine the most economical means of ensuring the school consistent with required services, the Executive Director or designee shall periodically review the school's options for obtaining coverage, including qualified insurance agents, a joint powers agency, self-insurance, or a combination of these means.

The Governing Board reserves the right to remove an insurance agent-of-record or a participating agent whenever, in the judgment of the Governing Board, such action becomes desirable for the best interests of the school.

To attempt to minimize the school's exposure to liability, the Governing Board shall adopt clear policies related to discrimination, harassment, safety procedures, and the timely handling of claims. The Executive Director shall ensure that these policies and related procedures are enforced fairly and consistently.

## **21. Injury and Illness Prevention Program**

The Governing Board believes that safety is every employee's responsibility. The Board expects all employees to use safe work practices and to report and correct any unsafe conditions that may occur. Supervisors shall constantly promote safety and correct any unsafe work practices through education, training, and enforcement. To be successful, such a program must embody proper attitudes toward injury and illness prevention on the part of supervisors and employees. It also requires cooperation in all safety and health matters, not only between supervisor and employee but also between each employee and his/her co-workers.

No employee shall be required to work under unsafe or hazardous conditions or to perform tasks that endanger the health, safety, or well-being of the employee. America's Finest Charter School shall provide employees with appropriate safety equipment. Working conditions and equipment shall be maintained in compliance with standards prescribed by federal, state, and local laws and regulations.

The Executive Director or designee shall establish an injury prevention program in accordance with law. The program shall include training in safe and healthy work practices for all employees. (*Labor Code 6401. 7*)

Every employee shall comply with occupational safety and health standards and all rules, regulations, and orders required by law and America's Finest Charter School' regulations.



## **22. Document Retention and Destruction**

This policy specifies how important documents (hardcopy, online or other media) should be retained, protected, or if and when these records are eligible for destruction. The policy also ensures that documents are promptly provided to authorities in the course of legal investigations or lawsuits.

Specifically, this policy addresses retention for the following types of documents:

- Corporate Records
- Financial Records
- Tax Records
- Personnel Records
- Payroll Records
- Insurance Records
- Contracts
- Donations/Funder Records
- Management Plans and Procedures
- Student Records

### **Document Protection**

Documents (hardcopy, online or other media) directly tied to a student record will be physically securely stored at America's Finest Charter School or digitally stored pursuant to Education Code section 49073.1, during the duration of the student's attendance at the school. Hardcopy records may be transferred to off-site storage upon the student's graduation or dis-enrollment. Records that contain employee confidential medical information should be retained in a separate, secure file.

### **Document Destruction**

Hard copies of documents will be destroyed by shredding after they have been retained until the end of the Document Retention Schedule, as noted herein. Electronic copies will be destroyed by proven means to destroy such media after they have been retained, at least until the end of the Document Retention Schedule as noted herein, unless the corporation elects to maintain them or causes them to be maintained for a longer time period.

### **Provision of Documentation for Investigations or Litigation**

Documents requested and subpoenaed by legally authorized personnel will be provided in the

timeframes outlined in law. The Executive Director will authorize the provision of records in consultation with legal counsel. No documents will be concealed, altered, or destroyed with the intent to obstruct the investigation or litigation.

**Electronic Documents**

Electronic documents, including emails and data maintained in digital format, shall be retained according to the Document Retention Schedule based on the substance of the electronic document and not the format of the document or data. Electronic records and data may be maintained as an electronic record or printed and maintained as a hardcopy record. Emails that are not classified as a document type specified in the Document Retention Schedule and not subject to a litigation hold shall be purged two years from the date of the email.

**Documentation Retention Schedule**

The following types of documents will be retained for the following periods of time. At least one copy of each document will be retained according to the following schedule:

<b>Corporate Records</b>	
Article of Incorporation	Permanent
IRS Form 1023 to file for tax-exempt and/or charitable status	Permanent
Corporate Bylaws	Permanent
IRS Letter of Determination granting tax-exempt	Permanent
State Application for Tax Exempt Status (Form 3500)	Permanent
State Determination Letter granting tax exempt status	Permanent
Board Policies/Resolutions	Permanent
Board and Committee Meeting Minutes	Permanent
Tax ID Number Designation	Permanent
Annual Corporate Filings	Permanent
<b>Financial Records</b>	
Chart of Accounts	Permanent
Fiscal Policies and Procedures	Permanent
Audits	Permanent
Financial Statements	Permanent

General Ledger	Permanent
Check Registers/Books	7 years
Business Expenses Documents	7 years
Bank Deposit Slips	7 years
Canceled Checks	7 years
Invoices	7 years
Investment Records (deposit, earning, withdrawals)	7 years
Property and Asset inventories	7 years
Petty cash receipts/documents	3 years
Credit card receipts	3 years
<b>Tax Records</b>	
IRS Annual Tax Filing Form 990	Permanent
FTB Annual Form 199	Permanent
Payroll Registers	Permanent
IRS Form 1099 Filings	7 years
Payroll tax returns and withholding returns	7 years
Earnings records	7 years
W-2 Statements	7 years

<b>Personnel Records</b>	
Recruitment, hiring and job placement records	3 years after separation, or for the duration of any claim or litigation regarding hiring practices
Employee Certificates, Credentials, Licenses, Mandatory Training	3 years after separation
Offers of Employment and Employment Agreements	3 years after separation, or for the duration of any claim or litigation regarding hiring practices
Certificate of Criminal Background Check Clearance	3 years after separation, or for the duration of any claim or litigation regarding hiring practices
Employee Performance and Other Personnel Records	3 years after separation

Employee Medical Leave Records	3 years after separation.
Employment Eligibility (1-9 Forms)	The later of (a) 1 year after separation, or (b) 3 years from date of hire
Employee Health Records	5 years after separation
Employee Workers' Compensation Records	5 years after date of injury and 2 years after claim has been closed
Employee Benefit Records	6 years after separation, but not less than 1 year following a plan termination
Safety and Toxic Exposure Records	30 years after separation
Pension and Welfare Plan Information	6 years after separation
<b>Payroll Records</b>	
Employee Wage Records	4 years after separation
Employee Payroll Records	4 years after separation
Records required to determine retirement benefits, including 401(k) and similar plans	Permanent
<b>Insurance Records</b>	
Property Insurance Policy	Permanent
Directors and Officers Insurance Policy	Permanent
Workers' Compensation Insurance Policy	Permanent
General Liability Insurance Policy	Permanent
Insurance Claims Applications	Permanent
Insurance Disbursements/Denials	Permanent
<b>Contracts</b>	

All Insurance Contracts	Permanent
Construction Contracts	Permanent
Legal Correspondence	Permanent
Loan/Mortgage and Real Estate Documents	Permanent
Vendor Contracts	7 years

General and all other Contracts	7 years
<b>Donations / Funder Records</b>	
Grant dispersal Contract	Permanent
Donor Lists	7 years
Grant Applications	7 years
Donor Acknowledgments	7 years
<b>Management Plans and Procedures</b>	
Strategic Plan	7 years
Staffing programs, marketing, finance, fundraising and evaluation plans.	7 years
Disaster Recovery Plan	7 years
<b>Pupil Records</b>	
<b>Mandatory Permanent (<i>original or exact copy</i>)</b>	<b>Permanent*</b>
*option to scan and destroy original	
(A) Legal name of pupil	
(B) Date of birth	
(C) Method of verification of birth	
(D) Sex of pupil	
(E) Place of birth	
(F) Name and address of parent of minor pupil	
1. Address of minor pupil if different than above.	
2. An annual verification of the name and address of the parent and the residence of the pupil.	
(G) Entering and leaving date of each school year and for any summer session or other extra session.	
(H) Subjects taken during each year, half year, summer session or other extra session.	
(I) If marks or credit are given, the mark or number of credits toward graduation allows or work taken.	

(J) Verification of or exemption from required immunizations.	
(K) Related Master Plan student documents.	
<b>Mandatory Interim (original or copy)</b>	

(A) A log or record identifying those persons (except authorized school personnel) or organizations requesting or receiving information from the record.  The log or record shall be accessible only to the legal parent or guardian or the eligible pupil, or a dependent adult pupil, or an adult pupil, or the custodian of records.	At least 3 school years after the student leaves the charter school or usefulness ceases
(B) Health information, including Child Health Developmental Disabilities Prevention Program verification or <b>waiver</b> .	
(C) Participation in special education programs including required tests, case studies, authorizations, and actions necessary to establish eligibility for admission or discharge.	
(D) Language training records	
(E) Progress slips and/or notices as required by Education Code Sections 49066 and 49067.	
(F) Parental restrictions regarding access to directory information or related stipulations	
(G) Parent or adult pupil rejoinders to challenged records and to disciplinary action	
(H) Parental authorizations or prohibitions of pupil participation in specific programs	
(I) Results of standardized tests administered within the preceding three years	

<b>Permitted Records</b>	
(A) Objective counselor and/or teacher ratings	At least 6 months after the student's completion of or withdrawal from the charter school
(B) Standardized test results older than three years	
(C) Routine discipline data	
(D) Verified reports of relevant behavioral patterns	
(E) All disciplinary notices	

(F) Attendance records not used for apportionment or compulsory education	
Individual Student Injury Record for which a claim was filed. <b>NOTE:</b> 1 year after the claim has been settled or after the statute of limitations has run.	1 year (see note)
Emails: For an email to be considered a permanent, interim, or permitted record, it shall be printed, placed in the student's file, and maintained consistent with the time periods above.	