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Financial Policies

4.00 Financial Policies

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

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

KHS will:

- Plan the scope and level of KHS's activities with sufficient funds earmarked for all goals, policies or projects approved by the Board of Directors
- Estimate sources of revenues for all entities for the appropriate time periods
- Estimate the use of funds for all entities for the appropriate time periods and specify how services are to be provided and where they are applied or used
- Prepare a list of all assumptions used in the budget preparation
- Obtain approval by the Board of Directors
- The Executive Director and appropriate staff will establish guidelines, priorities and assumptions for preparation of the budget. Procedures and budgeting formats will be established and a timetable is developed

4.05 Preparation and Approval of the Budget

The Executive Director and other appropriate staff, will prepare their projections of revenues and expenditures for planned services, projects and programs. The Executive Director and appropriate staff will develop budgets for accounts. The staff members responsible for the budget preparation will consider historical data along with future growth plans. They will also factor in any shifts or adjustments to staffing levels along with the related fringe benefits.

The Executive Director then prepares a consolidated budget proposal. The budget proposal is submitted to the Board Treasurer or Finance Committee in time for reasonable approval by the Board of Directors prior to the beginning of the new fiscal year. The Board of Directors approves the annual budget at the May board meeting. The Executive Director is responsible for ensuring

materials are provided to the Board Treasurer or Finance Committee in a timely manner that will allow for Board review and approval by May.

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

Once the budget is approved, it is up to the appropriate management to implement the budget plan. The Accounting Vendor will prepare and submit monthly variance reports to the Board Treasurer or Finance Committee and Board of Directors. Explanations of variances may accompany the analysis.

4.10 Independent Contractors

It is the policy of KHS to evaluate criteria established by the IRS when assigning individual employee or independent contractor status. Individuals qualifying as independent contractors will sign an Independent Contractor Agreement and will be issued, by KHS, IRS Form 1099 if compensation is \$600.00 or more if they are other than a corporation.

Hiring a Consultant

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

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

State Language

The following State Language will be included in every contract:

- No indebtedness of any kind shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions
- The contract shall be signed by the consultant and the Executive Director
- Members of the Board of Directors or committees of KHS may not enter into a contract with a consultant on behalf of KHS
- The contract must have a payee identification number (Social Security Number or Employer Identification Number), phone number and home address of the consultant

- If services are extended beyond the contract's time frame or additional money is required, a new contract or an addendum must be written and signed by all parties to be bound

Contracts and Authority

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

4.15 Checks

Check Signers

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

- Members of the Executive Committee of the Board
- Executive Director: for all standard budget expenses without limit, and for any non-standard or non-recurring expenses up to \$5,000 value. Checks for non-standard or non-recurring expenses outside the budget require signature of a member of the Executive Committee and may require Board approval as set forth in this manual

Note: The Executive Director may give a responsible employee temporary check signing authority as long as a proper segregation of duties exists. Only one signature is required on any check.

Safeguarding of Checks

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

Old Checks

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

Voided Checks

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

Prohibitions

The following procedures regarding check writing are prohibited:

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

Check Endorsement/Stamp

It is the policy of KHS for the Business Manager to endorse checks with a stamp prior to deposit as follows:

For Deposit Only

An appropriate bank stamp may be substituted for KHS "For Deposit Only" stamp if such stamp is available for use.

4.20 Loans Prohibited

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

4.25 Annual Financial Audit Preparation

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

- A. All financial audit preparation and reporting should be done in full compliance with the State Board of Education and the Uniform Education Reporting System
- B. All documented audit deficiencies should be reported in writing to the Board of Directors with a time line to cure all financial weaknesses
- C. All audit report findings should be reported annually and documented in board meeting minutes
- D. The Board of Directors must approve the annual audit at a duly called and properly noticed meeting of the Board of Directors prior to the submission of the completed audit to the State of North Carolina or any division, department, or political subdivision thereof, and/or any other entity or authority.

4.30 Division of Duties

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

Board of Directors

- Reviews and approves all financial reports at each regularly scheduled board meeting
- Reviews and approves the annual budget
- Reviews and approves all contracts for goods and services that will exceed \$5,000 over the year

Executive Committee

- Check signing authority on all KHS accounts
- Authorizes expenditures in excess of \$5,000
- Reviews all vouchers and invoices for those checks that require Executive Committee signature (see Check Signers section)
- Reviews and recommends Board approval of all contracts for goods and services that will exceed \$5,000 over the year
- Receives copy of bank statements

Finance Committee

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

Treasurer

- Has charge of and is responsible for all funds and securities, receipts, and disbursements of KHS
- Has oversight of the financial records, investments, and other evidences of school properties and assets
- Reviews contracts as it pertains to renewal dates and terms of conditions
- The Treasurer may delegate day-to-day management of finances to the Executive Director, Business Manager, or other responsible individuals approved by the Board
- Is the chair of the Financial Committee

Executive Director

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

Accounting Vendor

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

Business Manager(s)

- Receives all incoming mail and bank statements

- Codes all invoices and aligns them to appropriate budget line item
- Mails all checks for payments
- Manages the petty cash fund
- Keeps cask locked in safe
- Deposits petty cash weekly
- Reviews the payroll summary for the correct payee, hours worked and check amount
- Reviews contracts as it pertains to renewal dates and terms of conditions

4.35 Contracts and Program Renewal Policy

The board of directors shall designate a committee, in conjunction with the school's executive director to be responsible for adopting an annual process to review all third party contracts and programs that have a value greater than \$75,000.

The process should include:

- Who is responsible for the completion of the evaluation
- Specific criteria/desired outcomes to evaluate and monitor the performance of the third party or program
- Ensure that the evaluations contain sufficient evidences to support the renewal decision
- All contracting shall comply with state law and the school's conflict of interest policy
- In addition, all third party contracts will contain the following required language from the Department of Public Instruction:
 - “No indebtedness of any kind, incurred or created, by the charter school shall constitute an indebtedness of the State or its political subdivisions and no indebtedness of the charter school shall involve or be secured by the faith, credit or taxing power of the State or its political subdivisions” Leaders Building Leaders (NCGS 115C-238.29H(a)).