

American Academy of Innovation Finance Policies

**General
Asset Protection
Banking & Financial Management
Procurement (Purchasing)
Payroll
Contracted Services**

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Introduction

Operating a charter school is engaging for administrators and is fulfilling the dreams of its Founders. It is also very rewarding on many levels, particularly as the successes of students are observed. It is also serious business. Charter schools are not typical start-ups. Before a charter is even granted by the state, its Founders need to have a complete business plan detailing curriculum, staffing, a multi-year financial forecast, policies and procedures of all kinds, special education everything, plans for this and plans for that. These plans include financial policies, procedures, forms, documents, etc. (internal controls). A brand new Founding team may know little about them, at least insofar as the real-life demands of the state and federal bureaucracies are concerned. This “finance policies” document, coupled with procedures, forms and good practices are the foundation of effective internal controls.

The school shall make these policies available in the school’s business office (main business office) and on the school’s website. This delegated authority requires checks and balances (internal controls) to ensure that the Board properly accounts for and spends public funds for which it is entrusted within the law, and without malfeasance.

Internal Controls

Internal Controls are an integral part of a charter school (school) “control environment” to ensure the school’s assets are safeguarded and to minimize risk. Internal controls consist of well-crafted policies, procedures, guides (guidelines) and forms indicating *how we’re supposed to do it*. They also include implementation and practices (modeling) by leadership and school staff *how we actually do it*. *How we’re supposed to do it* and *how we actually do it* should be the same in almost all circumstances. Internal controls are developed for the purpose of:

- Protecting against waste of resources through inefficiencies;
- Protecting resources against embezzlement, bribes, theft or other types of fraud;
- Protecting against poor management, carelessness and unintentional errors;
- Securing compliance with both law and rules of the state, policies of the school and the audit requirements of the State of Utah pertaining to “public funds”;
- Protecting against loss or destruction of records;
- Ensuring data reliability and accuracy;
- Evaluating the level of performance of the school’s operations.

Under the direction of the Governing Board, schools are required to establish and maintain adequate accounting records and implement internal control policies & procedures. Internal control consists of six components: control environment, risk assessment, control activities, information and communication, segregation of duties and monitoring. The objectives of internal control relate to financial reporting, operations, and compliance.

The Board and all levels of administration and instructional staff are responsible for preventing and detecting instances of fraud and related misconduct and for establishing and maintaining proper internal controls that provide security and accountability. The Board and administration are also responsible for recognizing risks and exposures inherent to these areas of responsibility and for being aware of indications of fraud or related misconduct. Any employee with reasonable basis for believing fraudulent or related misconduct has occurred should report such incidents to the designated authorities within the school or to the State Office of Education.

Internal controls provide schools with the foundation to properly safeguard assets, implement policies, provide compliance with state and federal laws and regulations and produce timely and accurate financial

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information. Board members and directors should review the Charter Solutions' Internal Controls Guide to further understand the need for internal controls and their role in their implementation and oversight.

The policies outlined herein will be reviewed at least annually. Employees involved in the processes and procedures associated with these policies will be trained at least annually in their duties.

Governing Board Authority

The Board of Trustees, Governing Board, etc. (Board) is responsible for the operation of school in accordance with state and federal laws. The Board is also responsible for operating the school in accordance with the representations made in its charter. Specifically, the Board shall have the sole authority to approve and will incorporate into its own minutes such matters as:

- Change of the school's name, with the authorizer and other entities;
- Adoption and amendment of the annual budget;
- Selection or termination of key employees;
- Key employees' salary and benefits changes;
- Incur debt, mortgages or other encumbrances and their covenants and restrictions, within the terms of the charter;
- Investment policies, depository and investment banks;
- Purchase or sale of real property;
- Review and acceptance of interim monthly financial statements;
- Selection of the school's auditor (CPA firm);
- Service on the school's audit committee;
- Review of any transaction or account of the school at its discretion.

Administrative Authority

The school Director and under their direction, business office staff, are authorized by the Board to execute all legal transactions for the school (with exceptions for certain capital purchases and indebtedness, etc. noted herein) and to make all purchases and disbursements necessary according to policy for the operation of the school. The Director and business office staff independently report all financial transactions directly to the Board periodically in a public board meeting. Both the Director and the employee(s) within the business office may report to the Board independently if requested, or if they deem appropriate on certain matters, or in any case where mismanagement or fraud is suspected.

Compliance with Laws

The school will follow all applicable laws and regulations that govern charter schools within the State of Utah. The school shall comply with Title IX and shall not discriminate on the basis of sex in education programs. Applicable federal laws and regulations will be adopted as federal program funds and grant funding is received.

The school will provide access to school records if requested by a person or entity under the Government Records Access Management Act (GRAMA). Additionally, records will be available to the Utah State Office of Education (USOE), State Charter School Board or other governmental entity as needed.

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General Policies

Political Contributions

No funds or assets of the school may be contributed to any political party or organization or to any individual who either holds public office or is a candidate for public office. Following are examples of prohibited activities:

- Contributions by an employee that are reimbursed through expense accounts or in other ways;
- Purchase of tickets for political fundraising events;
- Contributions in-kind, such as lending employees to political parties or using the school's assets in political campaigns.

Record Keeping

To provide an accurate record of all financial transactions (a good audit trail), the school's books, records, and accounts are maintained in conformity with generally accepted accounting principles as required by state law applicable to charter schools. This includes recordkeeping in both the modified and full-accrual bases of accounting. Audited financial statements certified by an independent auditor will be prepared annually using the accrual basis of accounting. Further, the school specifically requires that:

- No funds or accounts may be established or maintained for purposes that are not fully and accurately described within the books and records of the school;
- Receipts and disbursements must be fully and accurately described in the books and records;
- No false or fictitious vendors, invoices or entries may be made on the books or records nor any false or misleading reports issued.

Record Retention and Disposal

Records are maintained for the minimum period according to state law and the guidelines of the Utah State Archives. The following records supporting federal contracts, as required by U.S. Office of Management and Budget, are retained for the indicated minimum periods or consistent with state law:

1. For three years after submission of the final report of expenditures: general ledger, trial balance, accounts payable and accounts receivable ledger, payroll register, and petty cash book, check register and checks, invoices. Except for:
 - a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
 - b) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.
2. Permanently: Audit reports, annual corporate reports, charter, board minutes, tax and legal correspondence, labor contracts, insurance claims and policies, and retirement and pension records.

The disposal date determined under this policy is the end of the fiscal year, or the date of final payment of government grants. All records not supporting government grants or otherwise covered by rules of the Internal Revenue Service are retained according to state law.

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Asset Protection Policies

Signature Authority

To properly segregate duties, the Board Chair (President), the Treasurer, the Director/Principal or others as expressly authorized are the only individuals with signatory authority and are responsible for authorizing all cash transactions. Each disbursement shall require two signatures to be authorized.

Security of Financial Data

The school's accounting software will be maintained to ensure that adequate internal controls and security measures are established to minimize unauthorized access to school data (i.e., proper password protection). The system's accounting data shall be backed up periodically to ensure the recoverability of financial information in case of failure. The backup file(s) must be stored separately in a fire safe area and properly secured. All other financial data, petty cash box(es), check stock, etc. will be secured from unauthorized access.

Security of School Documents

Originals of the following corporate documents are maintained, and their presence shall be verified on a periodic basis:

- Charter and all related amendments;
- Articles of Incorporation and By-laws;
- Minutes of the Board of Trustees and subcommittees;
- Corporate and payroll tax registrations;
- Banking & financial agreements;
- Leases;
- Insurance policies;
- Grant and contract agreements;
- Fixed asset inventory list.

Use of School Assets

School employees should not use any of the school's assets for personal use without prior approval of the school administration and with proper justification.

Facilities Use by Outside Persons or Entities

In accordance with state law, the Board authorizes, on condition, the use of school facilities for other than school purposes. It is understood that the school shall by law assume no expense as a result of the leasing of school properties, facilities, including grounds, furnishings and equipment. It is further understood that restraint must be exercised in leasing facilities for purposes other than school functions, to the extent that such leasing shall not interfere with the school curriculum, program and standards. The Board may refuse the use of school facilities by outside entities if it determines the use is inadvisable.

The Board authorizes the Administration to establish rules, guidelines, procedures and fees for the rental and use of school facilities for other than school purposes. The Board will review and approve the procedures as needed. The School Director and Business Manager shall administer the rules and guidelines and see that all entities follow established procedures.

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Audit

The Board contracts annually with a qualified independent certified public accounting firm to conduct a fiscal audit of the school's financial records and statements. The audit is performed 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, 2003 Revision (GAS) and, if applicable, the U.S Office of Management and Budget's Circular A-87 and A-122. The selected firm must be familiar with these standards and related state regulations in order to properly conduct the fiscal audit.

Audit Committee

The Board shall establish an audit committee per Administrative Rule R277-113, comprised exclusively of Board members, which shall:

- Seek to understand its role and duties as outlined in the GFOA Audit Committees guide;
- Review, audit and initial original bank statements and account reconciliations from the accounting system for each period reconciled;
- Review, in a public meeting, audit reports provided to the Committee directly by outside firms;
- Review the school's riskassessment processes and procedures to ensure adequate internal controls are maintained;
- Ensure timely resolution of matters reported by internal audits or by outside firms;
- Ensure that outside firms are selected through a competitive-bid process;
- Be responsible for the appointment, compensation, retention, and oversight of the work of any independent accountants engaged for the purpose of preparing or issuing an independent audit report or performing other independent audit, review, or attest services;
- Periodically review this policy, no less than once every five years, to assess its continued adequacy;
- Possess knowledge of and experience in finance, auditing, or accounting if possible;
- Review the annual audit, and any other work performed by a contracted auditor, prior to its submission to any outside party or authority, and report to the Board that it has discussed the financial statements with management, with the independent auditors in private, and privately among committee members, and believes that they are fairly presented, to the extent such a determination can be made solely on the basis of such conversations.

Insurance and Bonding

The school maintains minimum levels of coverage, as deemed appropriate by the Board, for the following policies:

- General liability (earthquake coverage not included without express inclusion)
- Business & personal property
- Automobile insurance (as necessary)
- Workers' compensation
- Unemployment (tax)

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- Directors and Officers
- Errors & Omissions/Professional Liability
- Employment Practices Liability Insurance
- Treasurers' (fidelity) Bond
- ERISA bond (as applicable for retirement plan)
- Other insurance as requested

A Treasurer's Bond (fidelity bond or Public Official Bond) is required on the person who has investment control over the school's public funds, typically the business manager, per UCA 51-7-15. This insurance coverage is not included in the school's other insurance policies and must be purchased separately. The school requires proof of adequate insurance coverage from all prospective sub-contractors, as deemed applicable by the Board.

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Banking & Financial Management Policies

General

Accounting policies and financial reporting adopted by the school should be consistent with a special purpose governmental entity that engages in business-type activities. The Board has oversight of the management of the school inclusive of establishing the governance structure and the financial management policies as set forth in the school's charter.

Budgeting

School administration prepares an annual operating budget of revenues and expenses (forecast or budget) for approval. The Board approves a final budget for the operation of the school for the prior twelve months. Both of these budgets are approved no later than June 30th of each school year. Budgets are reviewed and modified as necessary. These forward-looking budgets and projections are reviewed and approved by the Board at an open and public meeting.

- The fiscal year (budget year) of the school is July 1st through June 30th. The appropriate accounting period is used for all adjusting entries and accruals;
- Financial statements displaying budget vs. actual results are prepared by the business office and reviewed by the director and Treasurer and are presented to the Board at each board meeting (with limited exceptions);
- Administration shall follow the Board approved budget with exceptions approved by the Board.

Bank Accounts

The Board may authorize bank accounts for general or specific purposes. School assets shall be kept at any bank or financial institution that is approved by the Utah Money Management Council. All bank accounts shall be reconciled as often as statements are available, typically monthly.

Investments

The school shall follow state law and rule as outlined by statute, Administrative Rule and the rules of the Utah Money Management Council in investing school cash assets.

Petty Cash

Petty cash funds may be established for incidental, non-recurring cash advances, local expense reimbursement, and small-dollar vendor purchases, provided proper documentation is furnished with each request. No fund shall exceed \$500 or individual payment shall be greater than \$100. Petty cash funds are recorded on the balance sheet as a cash account. The petty cash account is balanced periodically by the business office.

Cash Handling and Cash Receipts

Wherever possible, duties such as collecting funds, maintaining documentation, preparing deposits and reconciling records should be segregated among different individuals. When segregation of duties is not possible due to the small size and limited staffing of the school, compensating controls such as management supervision and review of cash receipting records by independent parties should be implemented. School staff shall follow established procedures (internal controls) for the handling of cash receipts as outlined in the *Cash Handling & Receipts Procedures*. The school will comply with all applicable state and federal laws.

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All funds shall be kept in a central, secure location until they are deposited in a school-approved fiduciary institution. Funds should be deposited daily or within three days after receipt, in compliance with Utah Code 51- 4-2(2)(a). Unauthorized school employees should never hold funds in any unapproved location for any reason. Periodic and unscheduled audits or reviews should be performed for all cash activity. All payments of school fees shall correspond with the approved fee schedule, as required by State Board Administrative Rule 277-407.

Fundraising

The purpose of this policy is to establish school policy and procedures governing the initiation, authorization, and review of all fundraising activities at AAI. This policy is intended to create practices that adequately safeguard public funds, provide for accountability, and ensure compliance with state and federal laws.

AAI encourages community and business partnerships that enhance and supplement the public education system. AAI also desires to protect students, parents, teachers, and school administrators from over-commercialization and fundraising efforts that are coercive and disruptive to the education processes, threatening to the health and welfare of students, or lacking in educational merit.

This policy applies to all AAI administrators, licensed educators, staff members, students, organizations, volunteers, and individuals who initiate, authorize, or participate in fundraising events or activities for school-sponsored events. It is expected that in all dealings, school employees will act ethically and consistent with AAI's ethics training, the Utah Educators Standards, the Public Officers' and Employees' Ethics Act, and State procurement law.

A. General Policy Statements for School-Sponsored Activities

1. "Public funds" are money, funds, and accounts, regardless of the source from which the funds are derived, that are owned, held, or administered by the state or any of its political subdivisions, including LEAs or other public bodies (Utah Code 51-7-3[26]).
2. Fundraising is permitted within AAI to allow schools to raise additional funds to supplement school-sponsored academic and co-curricular programs.
3. "School-sponsored" means activities, fundraising events, clubs, camps, clinics, programs, sports, etc., or events, or activities that are authorized by AAI that support or authorized curricular school clubs, activities, sports, classes, or programs that also satisfy one or more of the following criteria. The activity:
 - a. Is managed or supervised by AAI school employees.
 - b. Uses AAI's facilities, equipment, or other school resources.
 - c. Is supported or subsidized, more than inconsequently, by public funds, including the public school's activity funds or minimum school program dollars.
 - d. Does not include non-curricular clubs specifically authorized and meeting all criteria of Utah Code 53A-11-1205 through 1208.

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4. AAI recognizes that fundraising efforts, donations, and public support vary among Schools and is committed to appropriate distribution of unrestricted funds and the management of fundraising to ensure that the educational opportunities of all students are equal and fair.

5. AAI is committed to principles of gender equity and compliance with Title IX guidance. AAI commits to use all facilities, unrestricted gifts, and other available funds in harmony with these principles. AAI reserves the right to decline or restrict donations, gifts, and fundraising proceeds, including those that might result in gender inequity or a violation of Title IX. Fundraising opportunities should be equitable for all students, comply with Title IX, and be in harmony with Article X of the Utah Constitution.

6. All fees for school-sponsored activities must be properly noticed and approved by the governing board and are subject to fee waiver provisions in R277-407.

7. The Director, consistent with AAI policy, has the responsibility to waive fees, if appropriate. Individual teachers, coaches, advisors, etc. do not have the authority to waive board-approved fees.

8. Annually, each AAI department or program and individual school will review all planned camps, clinics, activities, and fundraisers and determine those designated as school-sponsored. Those not designated as school-sponsored will follow the non-school-sponsored criteria in Section E.

9. All monies raised through fundraisers for school-sponsored activities are considered public funds. The LEA and individual schools are ultimately responsible for the expenditure and allocation of all monies collected and expended through student, school organized fundraising.

10. The collection of money associated with fundraisers for school-sponsored activities will comply with the cash receipting policies.

11. The expenditure of any public funds associated with fundraisers for school-sponsored activities will comply with the cash disbursement policies.

12. Properly approved school-sponsored activities may:

- a. Use the school's name, facilities, and equipment.
- b. Utilize AAI employees and other resources to supervise, promote, and otherwise staff the activity or fundraiser.
- c. Be insured under AAI's risk management policy or general liability insurance policy.
- d. Provide additional compensation or stipends for AAI employees with the approval of the Director or immediate supervisor and under AAI payroll policies.

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13. School-sponsored activities must comply with all fee approval and fee waiver provisions established in the Utah Code and Utah State Board of Education rules. AAI may be responsible for providing student transportation for these activities.

14. Authorization and supervision of fundraising for school-sponsored activities:

a. Fundraising shall be approved in writing, before the activity, by the Director or applicable assistant director and supervised by AAI employee(s) designated by the approver. The approver shall ensure that the activity is appropriately classified as a school-sponsored activity.

b. Fundraising at individual schools shall be approved in writing, before the activity, by the Director and supervised by a member of the faculty or other school employee designated by the Director. The approver shall ensure that the activity has been appropriately classified as a school-sponsored activity. The Director may approve fundraisers or activities where the expectation is to earn up to \$50,000. Fundraisers expected to earn more than \$50,000 must be approved by AAI's governing board.

c. Donations from individuals or organizations will follow AAI's gift and donation policy.

d. The sale of banners, advertising, signs, or other promotional material that will be displayed on school property must be approved by the Director before the items are initiated or printed and must meet community standards. Partisan or political advertising and advertising for products that are prohibited by law for sale or use by minors, such as alcohol, tobacco, or other substances that are known to endanger the health and well-being of students, are prohibited.

e. All fundraising projects for construction, maintenance, facilities renovation or improvement, and other capital equipment purchases must be approved in writing by the business administrator, the Director, and the AAI governing board. (See capital fundraising section below.)

B. General Fundraising Standards for School-sponsored Activities

1. AAI reserves the right to prohibit, restrict, or limit any fundraising activities associated with the school.

2. Faculty and student participation in fundraisers is typically voluntary. However, employees may be directed to supervise specific activities as an employment assignment. Students, including fee-waiver-eligible students, may not be required to participate in individual fundraising. Students, including fee-waiver-eligible students, may be required to participate in a group team, or group-wide fundraisers. Parents must be notified of the specific details of required group fundraisers.

3. Participation in fundraising shall not affect a student's grade. Students shall not be required to participate in fundraising activities as a condition of belonging to a team, club or group, nor shall a student's fundraising effort affect his/her participation time or standing on any team, club, or group, except as to fee waiver requirements.

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4. Competitive enticements for participation in fundraisers are discouraged. If prizes or rewards are offered by a selected fundraising vendor, they should only be awarded to groups, classes, or students, and must be disclosed and approved before the fundraiser. Rewards, prizes, commissions, or other direct or indirect compensation shall not be received by any teacher, activity, club or group director, or any other AAI employee or volunteer.
5. Schools may not impose a sales quota (or the like) as part of fundraising efforts, and students or parents shall not be required to pay for any unsold items or pay for goals not met.
6. Door-to-door sales are prohibited for all students in elementary and middle schools. High school students may participate in one door-to-door campaign per sport, club, or group per year. Suitable procedures must be used by the school, administrators, and supervising faculty to safeguard students and funds collected. Procedures must be clearly communicated to parents.
7. Approval may be denied for fundraising activities that would expose the school to the risk of financial loss or liability if the activity is not successful.
8. Fundraising activities shall be age-appropriate and shall maintain the highest standards of ethical responsibility and integrity.
9. Fundraising revenues should be accounted for at an individual contribution level or participation level. Participation logs should be retained and turned into the accounting office to be included with the deposit detail.
10. Employees who approve, manage, or oversee fundraising activities are required to disclose if they have a financial or controlling interest or access to bank accounts in a fundraising organization or company.
11. Records of all fundraising efforts shall be open to the parents, students, and donors, including accurate reporting on participation levels and financial outcomes. This policy does not require the release of students' personally identifiable information protected by FERPA.

C. Non-school-sponsored Activities & Fundraisers

1. Activities, clubs, groups, and their associated fundraisers or other activities that are not school-sponsored or groups, clubs, sports, and programs that are not managed by AAI employees are deemed to be non-school-sponsored. Non-school-sponsored activities may:
 - a. NOT use the school's name without express permission.
 - b. NOT use AAI's facilities, equipment, and other assets or staff unless a facility use agreement is initiated and approved. These agreements should follow AAI's

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policy for other facilities to use agreements.

c. NOT utilize employees (in their official capacity) and other resources to supervise, promote, and otherwise staff the activity or fundraiser.

d. NOT be insured under AAI's risk management or insurance policy. Non-school sponsored activities must provide their own insurance through a third-party insurer.

e. NOT provide additional compensation or stipends for AAI employees, if the activity is not substantially different from an AAI employee's regular job functions and

duties and outside of employee's contract hours. (See AAI employee disclosure agreement below.)

f. Not co-mingle public funds and private fundraising proceeds or expenditures.

g. Not use school records to contact parents or students.

2. Parental notification by an AAI employee is required if employees are involved in the planning, administration, advertising, or serving as staff for a non-school-sponsored activity and if students are involved. This notification shall occur using the "Non-School- Sponsored Parent Notification" form. A copy of this form shall be submitted to the principal by the employee before the event.

3. Funds, donations, or gifts generated through non-school-sponsored activities or events may be donated to AAI or to an individual to support specific programs, teams, groups, clubs, etc. All donations or gifts shall follow the guidelines established in AAI's donations and gifts policy.

4. Non-school-sponsored activities may work in conjunction with the school to raise funds. The school may allow these groups to use the facilities at little or no charge in exchange for contributions or percentages of proceeds. The school may choose to provide some level of support or pay for portions of these activities. These arrangements shall be outlined in a written agreement or contract, and all transactions will be conducted as "arms-length transactions." These agreements shall take into consideration the AAI's fiduciary responsibility for the management and use of public funds and assets. The terms of these contracts will be approved by the Director, the facilities use agreement approver (operations manager), and the business administrator. The school will consult with its insurer or legal counsel to ensure risks are adequately considered and managed.

5. Non-curricular clubs specifically authorized under Utah Code 53A-11-1205 through 1208 are not considered school-sponsored.

D. Employee Relationships & Disclosure

1. Participation in Private or Non-School-Sponsored Events

a. AAI employees:

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- (1) May participate in a private but public education-related activity, such as religious seminary graduation, extracurricular travel, etc.
- (2) Must ensure that personal participation in activities is separate and distinguishable from the employee's public employment, official job title, or job duties.
- (3) May not contact students in the school using education records or information obtained through public employment unless the records or information are available to the general public.
- (4) May not use school time to discuss, promote, or prepare for private or non-school sponsored activity.
- (5) May offer public education-related services, programs, or activities to students, provided they are not advertised or promoted during school time or using any type or amount of school resources.
- (6) May use school or student publications available to the general public to advertise and promote the private or non-school-sponsored activity.
- (7) May not require private or non-school-sponsored activities for credit or participation in school programs.
- (8) Must satisfy all requirements of Utah Code 53A-1-402.5, regarding ethical conduct standards, and R277-107, regarding educational services outside of the educator's regular employment.

2. LEA employees may purchase advertising space to promote private or non-school-sponsored events in the same manner as the general public. AAI employee's employment and experience can be used to demonstrate qualifications. The advertisement must specifically state that the activity is not school-sponsored. (See R277-107-5 through 6.)

3. AAI employees may engage in outside employment with a private entity or other separate organizations that do not interfere with duties or job functions. Employees must complete the AAI disclosure agreement annually when engaging in outside employment that is similar to the employee's official job duties or functions.

4. Parental notification is required if AAI students are recruited to participate in these Activities.

5. AAI employees may not set up bank accounts for activities or fundraisers associated with responsibilities or job functions.

6. AAI employees may not direct fees or fundraiser proceeds from school-sponsored activities to outside entities.

7. AAI employees may not direct operating expenditures to outside funding sources or groups to avoid school procurement rules (such as equipment, uniforms, salaries or stipends, improvements, maintenance for facilities, etc.).

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8. AAI employees must comply with school procurement policies and procedures, including complying with competitive quotes; bid splitting; and not accepting gifts, gratuities, or kickbacks from vendors or other interested parties.

E. Capital Fundraising/Large Fundraising Projects

1. All fundraising projects for construction, maintenance, facilities renovation or improvement, and other capital equipment purchases must be approved in writing by the business administrator, the superintendent, and AAI's board. Before the initiation of a large capital drive or specific fundraising drive, the following will be provided to the business administrator for evaluation and recommendation to the superintendent:

- a. Prospective construction, maintenance, or renovation plans and estimated costs
- b. Proposed naming opportunities
- c. Proposed fundraising timeline
- d. Loans or financing agreements
- e. Maintenance or upkeep requirements and costs
- f. Assurances of compliance with Title IX (e.g., available for use by both male and female students and/or for several purposes or activities)

2. The Director will make a recommendation to AAI's board. The board reserves the right to tentatively approve plans, pending fundraising, donations, equity, or other conditions.

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Donation & Gifts

Donations may be accepted, upon approval by the Director, providing the item(s) to be donated (cash, goods, services) are legal to possess by a public school, safe, unencumbered, usable by the school and are generally not restricted in their use, or are not restricted for use by an individual employee. Donations for the purpose of compensating specific employees or positions may not be accepted (donors can donate for other purposes instead). Donations received by the school become public funds and may not be returned or expended except within the law as applicable to the appropriate use of public funds. All policies and procedures of the school are applicable to donations, including Cash Receipt and Disbursement policies and procedures, and all other internal controls.

Gifts to the school must be general in nature and may not be restricted such that they cannot be used for various purposes, except when those purposes are to a specific program, such as the PE program, science department or art program. Donations or gifts intended to benefit a specific student, teacher or classroom may not be accepted and could be considered a bribe.

The value of a gift or donation to the school may not be assessed or assigned by the school. The value and tax deductibility of a donation or gift made by an individual or company is to be determined by the donor and their accountant, not the school. No dollar value may be assigned to a donation verbally or in writing. If a product or service is given in return for a donation or gift that is clearly defined, such as a \$250 advertising slot in the yearbook, that value can be disclosed by providing the school's advertising rates to the donor for them to assign a value.

AAI may not request or accept a donation in lieu of a fee from a student or parent unless the activity, class, or program for which the donation is solicited will otherwise be fully funded by the school and receipt of the donation will not affect participation by an individual student. A donation is a fee if a student or parent is required to donate as a condition of the student's participation in an activity, class, or program. AAI may solicit and accept a donation or contribution in accordance with the school's policies. All such requests must clearly state that the donations and contributions by a student or parent are voluntary.

Vending Machines

Vending machines are to be administered by the Director with the assistance of the business office and other school administrators. Two persons shall be present when removing cash from vending machines and delivering it to the school office for recording using the Cash Handling & Receipts Procedures. Accurate inventories of goods stocked and sold from vending machines are to be kept. Vending machine stock shall be stored adequately to minimize shrinkage and the program should be reviewed at least annually.

Financial Statement Reporting

The business office is required to maintain supporting records in sufficient detail to prepare the school's financial statements, including:

Monthly

- Internally generated Income Statement, including budget vs. actual comparison and adequate notes & explanations
- Balance Sheet
- Cash Flow Statement
- Transaction Register

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Annually

- Financial statements for audit, with supporting statements as needed
- Annual budget

Capitalization of Property

All tangible personal property, land, capital improvements or buildings with a useful life of more than one year and a unit acquisition cost that exceeds the board-authorized capitalization threshold are recorded and capitalized on the property schedule. The Board shall establish the capitalization threshold. The asset capitalized cost includes actual tax, shipping/handling, and other expenses incurred to bring the asset ready for its intended use. Additionally, these policies apply to capital assets:

- All capitalized assets will be depreciated using the straight-line method of depreciation in accordance with such asset's useful life and governmental & financial accounting standards;
- The depreciation expense will be recorded in the statement of revenues, expenses, and changes in net assets;
- The school maintains records of all government-furnished property and equipment, with an identification and segregation of property and equipment acquired through government contracts;
- Upon receipt, all property that qualifies as necessary to include on the property schedule, or has reasonable possibility of theft, or is required by law, must be properly labeled with asset ID tags;
- Assets purchased or received that cost less than the depreciation threshold will be expensed in the period purchased;
- No item on the property schedule shall be removed from the premises without prior approval from the Board. Procedures for asset disposal must comply with state or federal law or regulation where appropriate. All Assets shall be disposed consistent with applicable regulations of any restricted funds with which they were purchased, according to state or US Dept. of Education General Administrative Regulations;
- Gains and losses from the sale or other disposition of property are recorded as revenue in the year in which they occur, and are reflected as such on applicable financial statements;
- A physical inventory of property included on the school's property schedule is performed on an annual or every two-year basis and is reconciled to the property schedule and general ledger of the school.

Liabilities

Encumbrances, debt or other obligations are recognized and measured in conformity with generally accepted accounting principles in both the modified and full accrual bases of accounting. Liabilities also include certain other deferred amounts that are not obligated but are recognized and measured in conformity with generally accepted accounting principles. The Board and administration, in consultation with accounting firms, will determine liabilities as needed for financial statements.

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Accounts Payable

Only valid accounts payable transactions based on documented vendor invoices, receiving reports, or other approved documentation are recorded as accounts payable. Vendors and suppliers are paid as their payment terms require, taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis, considering critical disbursements, including payroll and tax obligations, etc.

Use Of School Credit & Debit Cards

Debit cards are only authorized with Board approval. Charter School credit cards and purchase cards shall only be issued with the formal approval of the Board and with proper justification. The cost/benefit to the school should be fully reviewed to ensure that no other method is appropriate. If credit cards are issued, they should be assigned to specific school employees and should be used only for school-related expenditures.

All charges must be supported by transaction-level invoices (point-of-sale receipts) or travel reports to be eligible for payment by Charter School. Monthly credit card statements are reconciled by cardholders to point-of-sale receipts and travel reports. They are reviewed and approved monthly by appropriate supervisors.

Accrued Liabilities

Salaries, wages earned, and payroll taxes, together with professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs. The portion of any teacher, or other employee whose salaries are paid over a period different than during which work was performed, are accrued at the end of the fiscal year for which services were rendered.

Debt

Short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements. Long-term debt consists of financing that is not expected to be repaid within one year. All short-term and long-term debt must be approved by the Board. Loan agreements approved by the Board shall be in writing and specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule. School administration may not enter into loan agreements without Board approval.

Net Assets

Net assets are recorded in accordance with generally accepted accounting principles applicable to special purpose governmental units. Net assets include the following:

- Unrestricted
- Restricted
- Investment in Capital Assets, net of related debt

Consistency in Cost Accounting

Practices used by the school in estimating costs in grant/contract proposals are consistent with its accounting practices used in accumulating and reporting costs. Accounting practices used by the school in

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accumulating and reporting actual costs are consistent with its practices used in estimating costs in its grant and contract proposals.

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Procurement (Purchasing) Policies

Procurement of Goods and Services

The school shall follow outlined procurement (purchasing) procedures of the school and provisions of the state procurement code (UCA 63G-6a) and procure only those items and services that are required to perform the mission and/or fill a bona fide need. Procurements are made using best value contracting which includes assessing the best value considering quality, performance, timing, and price. Additionally:

- Administration shall not intentionally divide a procurement purchase into one or more smaller purchases to divide an invoice or purchase order into two or more invoices or purchase orders, or to make smaller purchases over a period of time in order to circumvent any aspect of this policy or of state law;
- Exclusive contracts (requiring the purchase of needed goods or services from a single, specified seller) are not authorized except as outlined in the state procurement code (UCA 63G-6a);
- Multi-year contracts shall comply with UCA 63G-6a-1204;
- Construction and improvements shall comply with the law and administrative rules of the State of Utah and its departments or agencies and differing rules, forms or reports, not in accordance with state law and administrative rules, may not be produced by school staff or outside service providers without Board authorization;
- Written records will be kept for all purchases, including complete bids when applicable by law. Competitive bids will be filed in the winning bidder's vendor file;
- All lease agreements will be evidenced by a lease or sublease agreement approved by the Board and signed by the Board Chair (or designee). The agreement will identify all the terms and conditions of the lease;
- Administration or any agent of the school may not accept hospitality gifts, gratuities, kickbacks, or any other unlawful consideration under 63G-6a-2304.5;
- Satisfactory receipt of goods and services will be confirmed, as invoices are approved by buyers, before payment is made to a vendor.

Emergency Purchases

An "emergency purchase" is the purchase of goods or services that are so badly needed that the school will suffer financial or operational damage if they are not secured immediately. A decision to purchase may be declared in an emergency at the school's discretion and "best value" procurement guidelines must be followed. In addition, the purchase must be authorized by the Director, business manager, the Board Chair or Treasurer when available. Sound business practices shall be used and documented in all cases.

Sales Tax

Charter School is exempt from sales tax as both as governmental entity and as a charitable organization.

- The school Board and administration shall maintain the school's IRS (501c3) and public school tax exempt status by complying with government regulations at all times;

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- The school administration shall follow vendor policies regarding sales tax exemption;
- As authorized, school employees or volunteers may use the school's non-profit tax exemption registration number (and Tax Commission form) only for legitimate school purchases. Authorization may be revoked when necessary;
- Employees or volunteers may be reimbursed for sales tax. If sales tax is paid by school employees or volunteers at the point of sale, the school may seek reimbursement of sales tax consistent with applicable rules at its discretion.

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Payroll Policies

Payroll Related Expenditures

The Board, with authority delegated to the Director, shall ensure that payroll-related expenditures are earned, accurate and approved (authorized) before payment is made. Additionally, the following applies to payroll-related expenditures:

- Employees are paid on a 12-month schedule, as wages are earned, and in accordance with pay periods and pay dates as authorized by the Board;
- The school shall communicate pay rate information clearly and effectively to individual employees whenever a pay change occurs;
- Pay advances are not authorized. All payments to employees are to be made only after wages are earned;
- Employee's time is properly approved when submitted by an employee to a supervisor, authorized for payment, and reported to the business office for processing;
- All employee payroll amounts are calculated based upon approved rates included in the individual's personnel file. Any changes to pay rates or benefits must be properly authorized in writing by appropriate individuals or the Board where applicable;
- The school Director or immediate supervisor (Supervisor) will accurately record and track all employees' accrued paid time off (PTO). PTO includes a variety of paid time off, including but not limited to Sick, Personal, Vacation time, etc.;
- The Supervisor shall consider available PTO balance(s) and the needs of the school prior to approving PTO;
- The business office will add or deduct PTO for all employees as authorized by policy or the Supervisor when processing each payroll and will provide balance information to the Supervisor periodically;
- Overtime wages, while not formally against policy, are not authorized under normal circumstances and are only to be used in rare instances of emergency;
- Pay rates or employee benefit package changes may not be authorized exclusively by persons for whom the pay rate or benefits will affect;
- All payroll taxes and benefits are properly calculated and any deposits made in a timely manner. All payroll tax reports are prepared in a timely manner and reviewed for accuracy prior to filing;
- Employees paid with restricted program funds are required to complete required documentation, with a supervisor's certification according to the administrative rules of applicable programs.
 - EDUCATOR SALARY ADJUSTMENT:
 1. The Business Manager will use CACTUS to ensure that each educator who receives Educator Salary Adjustment funds is a qualified educator and has received a satisfactory or above job performance rating in the educator's most recent evaluation.
 2. In May of each school year, the Business Manager will review educator qualifications in CACTUS to ensure that each educator is still qualified.

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Employee Retirement Program

The school shall participate in a retirement program as determined by the Board of Trustees and administered by the Trustee and the business office.

Employee Travel within the State

Employees who travel within the state typically travel using their own personal motor vehicle or a school-rented vehicle. Employees may be reimbursed at the current (at time of travel) federal standard mileage rate (per mile), as authorized by the Board, for use of their own vehicle for business related travel. In addition, parking fees and tolls paid are reimbursable if properly supported. Employees who rent vehicles for school use (and reimbursement) must purchase adequate insurance to cover the vehicle in case of theft or damage. Employees must refill the rental vehicle with fuel prior to return. The school shall not reimburse for moving violations or parking tickets.

Employee Travel Out of State

Employees who travel out of state travel with itineraries booked through school administration, except as otherwise approved. Under certain circumstances, employees may be required to use a personal credit card for hotel and/or vehicle rental. Employees may not use public funds to pay for (or submit for reimbursement) personal expenses while traveling for the school.

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Contracted Services Policies

Outside Service Providers

The utilization of outside service providers (i.e. independent contractors) and contracted personnel are sufficiently evidenced by:

- Service Agreements outlining the terms of the agreement (e.g., responsibilities work requirements, rate of compensation, and nature and amount of other expenses, if any) with the individuals or organizations providing services and details of actual services performed;
- Required IRS W-9 form, proof of authorization or licensure and liability insurance certification (among other things) are required before service is rendered or payment is made;
- Invoices or billings submitted by consultants, including sufficient detail as to the time expended and nature of the actual services performed;
- The use of a management contract for educational administrative services will clearly identify the contractor's performance requirements, including students' academic achievement (if applicable), contractor's compensation and define the school's rights to educational curricula and intellectual property developed.

The use of independent contractors is closely monitored so as not to vary from the rules of the Fair Labor Standards Act and Utah law. The contractor will:

- Be free from the school's control and direction in scheduling and performing the service, both under a contract and in fact;
- Provide a service that is outside the school's usual course of business or provide a service on a temporary basis;
- Not receive any fringe benefits as such, although their fee may include provision for fringe benefits;
- Use his or her own letterhead, supplies and materials when billing for services.

The policies contained in this document are subject to change at any time. The Board reserves the right to amend or change them at their sole discretion.