

ATTACHMENT D

FINANCIAL POLICIES AND PROCEDURES MANUAL

Sound Fiscal Policies and Practices that Affect Business Operations:

All financial policies and procedures adopted by the *Reynonda Lynn Laster-Branch Global Nurse Leader's Academy* ("GNLA") governing Board shall be in compliance with all federal and state rules, regulations and practices to insure sound financial management of the School. The policies and procedures have been based on Generally Accepted Accounting Principles (GAAP) including the Wisconsin Administrative Code PI 35 requirements. The Policies and Procedures in this manual, coupled with the Internal Control Policies and Procedures contained in the companion document entitled "Internal Control Policy and Procedures for Charter Schools-Detailed" provide the basis for sound fiscal oversight, preservation of assets and efficient operation of the School.

Long Range Business and Financial Plan

Our plan calls for the School to begin with year one enrollment of 150 students in grade 9. Years 2-4 would add an additional 75 students each year for a final, maximum enrollment of 375 students.

Annual five year projections to full capacity detailed in **Attachment (F)** describes the charter School expenses (**Appendix A**) and revenues (**Appendix B**). Also included is the enrollment and staffing plan.

To achieve the goals and objectives of the School, GNLA will form strategic partnerships where possible in planning and implementing our programs and raise appropriate funds as necessary to support such operations.

Annual Budget and Financial Reporting

An annual budget will be prepared by the School, as required by the charter for a period of twelve (12) months, which includes a fiscal year from July 1 through June 30, using the following fiscal parameters:

- The budget shall be based upon the educational needs and financial ability of the School, as cooperatively identified by the Board finance and educational committees, AQS senior management and other stakeholders.
- The School Board shall adopt a fiscal management policy which will establish benchmarks to be applied in planning and developing annual budgets.
- The annual budget shall be balanced and shall provide for an adequate fund balance carryover at the end of the fiscal year. Such a fund balance carryover will be, per

fiscal management policy, used for such activities as debt reduction or investment as authorized by the School Board.

- The School Board shall be provided with a monthly report indicating the status of the various funds.
- The year-round preparation of budgets and forecasts shall be based on all the statutorily imposed deadlines by DPI on participating Schools in the City of Milwaukee charter School program.

The finance committee of the School Board shall delegate to the principal the responsibility for executing the approved budget. In order to allow the smooth administration and control of the budget by the principal in an effective and efficient manner, the following principles will be adhered to:

- The Principal, or a duly delegated staff member, in executing the programs and/or activities as set forth in the adopted operating budget are authorized to implement those programs and/or activities.
- All expenditures of funds for the employment and assignment of personnel must meet the legal requirements of the Wisconsin Administrative Statute and adopted Board policies.
- All expenditures so authorized are contained and fully funded within the budget as adopted by the Board.
- All purchases are made in accordance with the requirement of the Wisconsin Administrative Statute and adopted Board policy.
- All budget actions are consistent with the Wisconsin Administrative Statute and the policies and procedures of GNLA.

Cash Flow Budgeting and Reporting

All School financial reporting for internal purposes is based on a modified Cash Basis Accounting. Monthly Board financial statements, budgets and forecasts are prepared and explained on this basis. For the annual audit each year, the financials are prepared on the Accrual Basis in accordance with Generally Accepted Accounting Principles.

Generally Accepted Accounting Principles (“GAAP”)

All recordkeeping, transaction processing, reporting and other accounting for the School is performed in accordance with Generally Accepted Accounting Principles for non-profit entities.

Internal Controls Overview

The finance committee of the School Board, in consultation with the educational committee, will be responsible for the preparation, implementation and monitoring of all financial policies and procedures. The finance committee will include, but not be limited to, the Treasurer, Executive Director, Administrator and or Principal, Finance

Officer/Personnel and a representative of the Education Management Organization, AQS. There will be i) administrative controls which will be measures to optimize the efficiency of operations and compliance of policies within the organization and ii) accounting controls to increase or ensure accuracy and reliability of the financial statements and the support documentation for all accounting and operations data.

Policies, Procedures and Internal Controls as described in this manual are distributed to all agency administrators, faculty supervisors, and finance personnel. AQS' finance department will be responsible for the accounting and reporting of all agency funds to the Board finance committee and /or the School Board and any agency upon request. All such reporting will be in compliance with all rules and regulations. AQS' finance department and/or a designee is responsible for the day-to-day implementation of the policies and internal controls pertaining to the supervision and administration of the School funds in accordance with the established policies and procedures of the School Board and Generally Accepted Accounting Principles.

Separation of Duties for Strong Internal Controls

- Three (3) critical duties shall be delegated to separate individuals to ensure strong internal controls: (1) check signing, (2) bookkeeping and financial reporting, and (3) bank statement reconciliation.

There will be a clear division of responsibilities and duties among employees in all other areas such as operations, requests and acquisitions, petty cash and asset custodians. The separation of duties will insure that no one person handles a process from beginning to the end within the organization as a form of checks and balances.

City of Milwaukee Charter School Financial Reporting Requirements and Procedures: Annual Audit Requirement and Periodic Reporting

The School Board shall contract for an annual audit each fiscal year (July 1 – June 30) to comply with charter financial reporting requirements, which shall include all agency and activity funds. An examination of the financial statements and accounts of the School shall be performed by an independent Certified Public Accounting firm chosen by the Board with the assistance of AQS.

Upon completion of the audit, the report shall be submitted annually for review and approval by the School Board. The annual audit will be made available to the City of Milwaukee charter program committee as well as any other financial and/or interested stakeholders.

Ongoing monthly, quarterly and semi-annual reports will be prepared during the year, submitted to the School Board for approval and made available as required by the City of Milwaukee Charter School financial reporting procedures.

Financial Reporting to the Board of Directors

To facilitate the fiduciary responsibility of the Board of Directors of GNLA, AQS' finance department will prepare, in FASB reporting format, monthly financial statements presentation to and approval by the Board. American Quality Schools' (AQS) senior staff will be primarily responsible for the compliance and reporting of all financial activities to the School Board. Final reviewed and approved financials will be made available to the public and all grantors, particularly the City of Milwaukee Charter Review Committee as required in the contract. Monthly Board meeting times and dates will be decided on by the Board prior to the start of School.

Accounting and Financial Management Qualifications, Professional Development Requirements for Affected Staff

Included in the financial policies and procedures are key job descriptions and training requirements for the finance manager/director and accounting staff positions. To ensure optimum performance in the accurate reporting and compliance of all charter grant requirements in accordance with generally accepted accounting and reporting principles, only qualified staff will be assigned to the charter School.

Fiscal Management and Debt Reduction

The quantity and quality of learning programs are directly dependent on the funding provided and the effective, efficient management of those funds. Educational goals can best be achieved through excellent fiscal management. Further, the School Board recognizes the important trust it has been given with the responsibility of managing a large amount of public resources. As trustee of funds allocated for use in public education, the Board will be vigilant in fulfilling its fiduciary responsibility and ensure funds are used wisely in accordance with the purposes to which they were allocated.

In view of the above, it is essential that the Board takes specific action to make sure education remains central and that fiscal matters are ancillary and contribute to the educational process. This concept shall be incorporated into Board operations and into all aspects of GNLA's management and operation.

In implementing the School's fiscal management policies, the Board seeks to achieve the following goals:

- To engage in thorough advance planning in order to develop budgets and guide expenditures so as to achieve the greatest educational returns and the greatest contributions to the educational program in relation to dollars expended.
- To use the best available techniques for budget development and management.
- To provide timely and appropriate information to all staff with fiscal and operational management responsibilities.

- To establish sound procedures for accounting, reporting, purchasing and delivery, payroll, vendor and contractor management, and all other areas of fiscal management.
- To achieve and maintain a minimum fund balance in the General Fund to be determined annually by the Board. Such funds will be used only upon approval by the School Board for activities such as:
 - i) Unforeseen/unbudgeted items;
 - ii) Funds needed for emergencies;
 - iii) Early retirement of School related notes payable, if any.
 - iv) Possible debt reduction, if needed.

Through the implementation of sound fiscal management policy, the educational process will be enhanced and remain as the central focus of the School's mission.

Accounting Systems

An accounting system for all School activity funds shall be maintained by the finance department of AQS. Such accounting system shall provide a complete record of receipts, expenditures, transfers and fund balances of each account of the School activity fund. The finance department will monitor the School's various funds so that it shall not carry a negative balance.

Bank statements of each School fund shall be reconciled on a monthly basis by AQS. The School's funds shall be balanced to the bank statement, and any discrepancies noted shall be immediately resolved consistent with internal control procedures.

AQS shall oversee the preparation of budgets and forecasts as well as ensure compliance in all various forms of financial reporting. Such records of receipts, expenditures, transfers, fund balances and other financial information shall be made available to administrators, custodians, sponsors, stakeholders and to the general public upon written request for such information.

Contingent Funding Sources

The following are general revenue sources which **may be** used for unforeseen circumstances such as low enrollment or unbudgeted and other unanticipated/extraordinary operational costs incurred.

- Rental of building space
- Fund-raising activities
- Contributions and Donations
- Special Events
- Tuition and Program Fees for extra-curricular events.

Additional revenue sources may be generated as deemed necessary and consistent with the mission of the School.

General Policies and Internal Control Procedures for the Control Over Agency Funds

- All agency funds shall be subject to the same internal controls as all other School funds.
- All forms, receipts, and checks shall be pre-numbered. A perpetual inventory will be maintained to account for all pre-numbered forms, receipts, and checks.
- All agency funds shall be accounted for in the School's fiscal year.
- Agency funds shall be subject to periodic internal review and annual independent audit.
- All employees responsible for handling agency fund money shall be insured.
- Monthly financial reports on all activity shall be prepared by AQS and submitted to the Board Finance Committee and the School Board pursuant to School policy.
- As part of the Board's efforts in strengthening the internal control process, an independent CPA accounting firm will be retained from time to time to provide review and support services to the finance department as may be requested by the Board finance committee.

Disbursements

- A request for cash disbursement shall be initiated by the School principal or his/her designee and forwarded to AQS for approval and submitted to the finance department for processing.
- Disbursements shall be requested using a purchase order, requisition form, or check request form which requires both signatures of the appropriate AQS Vice President and Principal.
Invoices will be obtained for all disbursements prior to payment. Support documentation for all disbursements shall be retained according to the record keeping policy.
- Pre-numbered checks that require an original signature shall be the sole means of disbursing from agency/School activity funds. No signature stamps allowed.
- Checks shall not be signed in advance or written to cash.
- School Policies shall specifically prohibit the use of agency funds to cash personal checks, make loans or extend credit to individuals.

Receipts

- Pre-numbered receipts shall be issued for all cash and checks submitted to the School. One copy shall be provided to the payee, the other shall be maintained in the finance department.
- All receipts shall be deposited intact, in the form in which they are collected. Receipts shall not be used for making change, petty cash or other disbursements.
- Receipts shall be deposited timely as defined by Board policy. Un-deposited receipts shall be secured in a safe in the finance department, or if necessary, the School. Under no circumstances shall receipts be taken home if not deposited.

- The School's administrative assistant is responsible for all receipts, both by mail or in person, until such receipts are submitted to the finance department in a timely manner for deposit.
- No money will be placed in an individual's account. All receipts are deposited directly in the School bank accounts.
- Bank statements for agency funds shall be reviewed and reconciled monthly.

Deposits

A designated administrative person shall deposit funds in the appropriate bank account on a daily basis upon receipt. Deposit slips shall list the total funds received, source of the funds and to what account(s) the funds shall be credited. Any checks or warrants shall be restrictively endorsed upon receipt, and the account for credit of such funds shall be noted below the endorsement.

One copy of the deposit slip shall be retained by AQS finance department for the agency's records. The original of the slip shall be enclosed in the bank deposit envelop along with the funds for deposit.

Petty Cash

The custodian of petty cash in the amount of \$300 (or such other amount as may be determined by the Board) will be the School Principal or his/her designee. Petty cash will be reconciled periodically and replenished when it falls under \$50-reconciliations shall be no more than monthly. A check will be written to the custodian as payee, cashed and kept in a safe located in the Principals office for small emergency needs. To replenish petty cash, an approved check request and all receipts/support documentation will be submitted to the accounting department and reconciled prior to replenishment.

Payroll Cycle

GNLA Payroll and HR policies will comply with all applicable federal and state labor laws and be consistent with adopted procedures already in place for operating funds.

Employment

- When seeking to hire an employee, the Principal will send a "Personnel Requisition Request" to the HR department. A position description is then prepared. All job vacancies are to be posted on designated Boards at the School. Employees who feel they meet the requirements of a posted position must submit an Employee Position Change Request Form to their immediate supervisor. If the employee is deemed qualified, the supervisor and Principal will approve the request and forward it to the Human Resources department
- If an internal promotion is not possible because of inadequate qualifications, GNLA will advertise in the newspaper to inform potential applicants of job openings. Interviews will be conducted by the department head who has the vacant position or by an outside

consultant. When the candidate is chosen, he/she must be approved by the appropriate AQS senior executive. An offer letter will be sent to the chosen applicant. Upon acceptance of the offer, the HR department will be sent a letter indicating the person hired and the pay rate. Upon acceptance by both employer and employee, the employee will complete the necessary new employee forms (identified below) and be provided with new employee orientation materials including an Employee Handbook, Health and Benefits information, Insurance Sign-Up materials, etc.

Form I-9

W-4 form (Federal Exemption)

State Withholding Exemption

Upon receipt of all employment documentation, and a personnel action form completed by the Principal, copies are forwarded to the accounting and payroll departments for review and proper set up of the employee in the payroll/HR system.

- All pay increases must be approved by the appropriate AQS senior manager. When necessary, consultation with the Board finance committee may also occur. Personnel Action Forms indicating the amount and date the increase is to take effect are filed in duplicate. One copy is given to the employee. The second copy is given to the HR department for appropriate handling and forwarded to the accounting and payroll departments.

Time Collecting and Payroll Preparation

- The School will have a designated administrative assistant who will track employee hours. Each employee signs in/out upon arrival and departure.
- Semi-monthly, the designated admin assistant at the School forwards the employee time sheets to AQS' Payroll Department which verifies hours worked and then transfers hours onto payroll summary worksheets. After such verification, Payroll personnel keys hours into Automatic Data Processing ("ADP") software (a web-based third party payroll processing company based in Illinois) from the summary worksheets. Salaried employees are automatically paid their contracted hours but have to fill salaried timesheets as support documentation. Hourly employees are paid for actual hours worked. After the hours entered have been pre-processed for final edit check, the information is submitted online to ADP for processing. ADP then prepares the payroll register and the payroll checks.
- The checks, direct deposit stubs and payroll register arrive the next day and are forwarded to the School for distribution to the employees. In most cases, employees choose to receive direct deposits of their pay to their accounts. Some employees may opt to receive an actual paycheck for manual deposit.

Payroll Transfer of Funds

- Daily Cash Log Report or GL is reviewed to verify actual cash position.
- The Payroll Register & Summary Report provides net check amounts and taxes to be paid or transferred to the payroll account to maintain sufficient amounts.

- Accounts Payable will immediately update Daily Cash Log Report and the GL cash position.
- Transfer of Funds to the Payroll account is initiated by AQS finance.

NSF Checks

If NSF checks are returned, the finance department will charge the appropriate account and the issue will be resolved immediately by the finance manager.

Termination

- When an employee is terminated, a letter is sent to the employee informing him/her of the termination. If a resignation letter is submitted, it is kept in the employee's personnel file along with any response to the employee by School or AQS corporate personnel. The HR Department is informed of employee terminations by a termination notice and Employee Action Form submitted by the Principal. Upon receipt, the terminated employee is removed from payroll.

Pension

- AQS maintains a 403(b) pension plan that is available for all employees for voluntary participation. AQS does not provide matching employer contributions.

Insurance

- GNLA will be covered by AQS insurance plans which meet all charter program requirements. AQS' current broker is Assurance Agency, a top 40 broker in the US located in Schaumburg, Illinois.
- AQS will review annually all insurance coverage requirements and notify the insurance agency with any changes to ensure coverages are in compliance with the charter contract.