

**NEW HORIZONS CHARTER
ACADEMY**

**5955 Lankershim Blvd.
North Hollywood, CA 91601**

**GENERAL
ACCOUNTING
POLICIES AND
PROCEDURES
MANUAL**

**ACCOUNTING POLICIES
Updated 05/21/2019**

LEGAL STRUCTURE

New Horizons Charter Academy ("NHCA") is a California Corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (application in process). As of 7/1/13, NHCA operates one charter school in one location in North Hollywood, California, sponsored by the Los Angeles Unified School District.

Charter Name	Charter Number	Location (13-14)	Start Date of Charter (new or renewal)	Expiration Date of Charter
New Horizons Charter Academy	1567	North Hollywood	7/1/2013	6/30/23

METHOD OF ACCOUNTING

The books and records of NHCA are prepared using the modified accrual method of accounting for mid-year financial statements and the full accrual method for annual statements.

ACCOUNTING SYSTEM

NHCA has contracted with Charter Impact, a third-party business management service provider, to process Accounts Payable and Payroll, maintain the General Ledger, prepare budgets, financial statements, cash flow projections, and financial reporting and fiscal compliance.

ANNUAL FINANCIAL AUDIT

The Board will annually appoint an audit committee or the Executive Director to oversee the independent auditors for that fiscal year. Any persons with expenditure authorization or recording responsibilities within the school may not serve on the committee. The committee shall annually contract for the services of an independent certified public accountant to perform an annual fiscal audit. The audit shall include, but not be limited to (1) an audit of the accuracy of school's financial statements, (2) an audit of the school's attendance accounting and revenue claims practices, and in conjunction with (1) and (2) above, review the school's internal controls over financial reporting. If the school expends over the federal limit, the audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars. The Audit shall be completed, reviewed by the Board, and submitted to the charter-granting agency, the County Office of Education, the Office of the State Controller, and California Department of Education prior to December 15 of each year.

CASH ACCOUNTS

NHCA obtains board approval before opening or closing any bank or investment accounts.

The School will maintain its accounts in a federally insured commercial bank or credit union. Funds will be deposited in non-speculative accounts including federally-insured savings or checking accounts or invested in non-speculative federally-backed instruments. The Board must appoint and approve all individuals authorized to sign checks or warrants in accord with these policies. Charter Impact will reconcile the school's ledger(s) with its bank accounts or accounts in the county treasury on a monthly basis.

All revenues from the District or the State are deposited via EFT or by paper check into the bank account.

AUTHORIZED CHECK SIGNERS

The following parties are authorized to sign checks for the main checking account:

Executive Director
Board Member/Board Secretary

There is currently no dual signature requirement on checks, although authorization limits apply to specific individuals for purchases (see separate section below). Reimbursements to any members with check signing ability (see above) must be approved by an authorized individual other than the person being reimbursed.

CREDIT CARD POLICY

The Board has authorized two credit cards to be used, one for the Executive Director and one for the Office Manager with \$3,000 and \$1,000 limits, per individual transaction respectively. The Executive Director may authorize an individual to use a school credit card to make an authorized purchase on behalf of the school, consistent with guidelines provided by the Executive Director and/or Governing Board. The following provisions apply to credit card purchases:

1. The school card will be kept under locked supervision in the Executive Director's office, and authorized individuals must sign the credit card out and must return the credit card and related documentation of all purchases within 24 hours of the purchases, unless otherwise authorized by the Executive Director.
2. If receipts are not available or are "missing", the individual making the charge will be held responsible for payment.
3. Credit cards will bear the names of both the School and cardholder.
4. Credit Card Statement is reviewed by Executive Director as part of the consistent approval process for all purchases related to school business.
5. Any purchases by Office Manager that exceed the \$1,000 limit requires Executive Director approval.
6. Any purchase by Executive Director that exceeds the \$3,000 limit requires approval by Board Chair's or Governing Board member in absence of Board Chair.

CASH RECEIPTS AND DEPOSITS

Most revenues received from the District or State are deposited via EFT/wire or check.

When checks or cash are received directly at the school, the following procedures are followed:

Mail is delivered to the 5955 Lankershim Blvd. where it is placed in a box unopened and delivered to the school and is opened by the Office Administrator, and any checks to be deposited are photocopied and taken to CCU by Mr. Richard Thomas. The copy of the check and any appropriate backup is scanned and emailed as PDF to Charter Impact to record in the ledger.

Records of deposits are kept and stored. Each record of deposit should include the following items: receipt of deposit from the bank, supporting documentation for the deposit, and copies of checks deposited. Charter Impact receives a scanned PDF copy of the cash receipt information, reviews the documents for completeness, and records the transaction in the ledger.

The school will collect cash from time to time. Cash received is segregated as to type (food sales, fundraising, etc.) and tallied. Total amounts by type are verified by a second person and a Cash Receipt Form is prepared. The cash is stored in a locked cabinet until a deposit is made by the Executive Director.

PURCHASES AND CASH DISBURSEMENTS

The Office Manager, Executive Director, and Board President are authorized to make purchases on behalf of NHCA.

At least one of the following must accompany all purchase transactions:

- Purchase Order, with proper authorization
- Check Request/Employee Reimbursement Request
- Travel Reimbursement Form
- Approved Invoice
- Electronic confirmation for online subscription or purchases

The Office Manager is authorized to make purchases up to \$2,999.99 for office supplies and general operating expenses of the school. Purchases of \$3,000 to \$25,000 require approval by the Executive Director. Non-recurring purchases in excess of \$25,000 require Board approval and must include documentation of a good faith effort to obtain the highest quality and secure the lowest possible cost for comparable goods or services. The vendor selected must not have a conflict of interest with the school and cannot be on the suspended/debarred list. See exhibit attached for "How to search to see if a vendor is Debarred or Suspended".

The School does not have access to manual checks for emergency purchases. The School utilizes the Board approved credit cards for payments in addition to Accounts Payable checks processed by Charter Impact. Accounts Payable checks are processed by Charter Impact.

Bill Pay Process:

1. Each invoice is reviewed for accuracy, proper authorization, and completeness by Office Manager and Executive Director. The Executive Director approves all invoices manually or electronically for payment. In order to approve invoices via e-mail, the board authorized approver must send an email to Charter Impact with the invoice/s attached and include the following information in the body of the mail: Vendor Name, Invoice Number or Approved Amount to Pay. Approved invoices are sent to Charter Impact for processing.
2. Charter Impact reviews for proper authorization, and completeness. Any discrepancies are resolved with the Office Manager or the Executive Director. Payment is issued based on a timeframe established by NHCA.
3. Electronic copies of the checks are saved with the electronic copy of the backup at Charter Impact.
4. A check register is sent to NHCA by Charter Impact weekly which includes check #, vendor name and amount.
5. Stale checks over 90 days are monitored through the monthly Bank reconciliation completed by Charter Impact. Stale checks identified are submitted to NHCA for research and resolution on a timely basis.
6. A returned check processing fee will be charged for checks returned as non-sufficient funds (NSF). Payment of the NSF check and processing fee must be made by money order, certified check or cash.

PETTY CASH

The school currently keeps a petty cash fund of \$1,000 on hand. The petty cash fund is reconciled each month and receipts are tallied by the Administrative Assistant, confirmed by the Executive Director and a petty cash replenishment request is completed. The replenishment request is processed as an AP item recording all expenses and issuing a check to replenish the fund to its original balance.

TRAVEL EXPENSE REIMBURSEMENT POLICY

In general, employees will be reimbursed for any actual expenses incurred – up to the limit of the prevailing Federal Per Diem rate – while on school-related travel. These expenses must be submitted on a Travel Reimbursement Request Form and require approval by the Executive Director or the Board. If the Assistant Principal or Principal are requesting reimbursement, the board president must approve the form manually or electronically. In order to approve expense reimbursements electronically via email, the board president must send an email to Charter Impact with the supporting invoice/s attached and include the following information in the body of the email: Employee Name, Reimbursement Date, Approved Amount to Pay. Any expenses greater than the per diem rate must be approved by the board president.

Mileage is also reimbursable for necessary business travel that takes an employee further from their home than their usual commute to work or that requires an employee to travel to an additional location beyond their normal work location. Mileage will be reimbursed at the prevailing Federal mileage reimbursement rate.

Overnight hotel stays are only approved in cases where an employee is attending a conference or event that is outside of the greater Los Angeles area. Any overnight travel must be approved in advance by the Executive Director or the Board of Directors.

Advances for travel will not be provided prior to travel.

Reimbursement requests must be submitted within 60 days of travel for payment to be honored. Any reimbursement requests that are not submitted in a timely manner may not be paid. If travel occurs in June, reimbursement requests must be received no later than July 31st in order to be included in the proper fiscal year.

MEAL PURCHASE POLICY

Meals and entertainment expenditures in all instances must clearly identify the benefit to NHCA. NCHA's meal purchase policy requires that documentation for meals include but not limited to the following: a business justification and appropriate approval, cost, an agenda, attendance sheet, itemized receipts and other relevant documentation for the event must be obtained.

PAYROLL

A personnel file will be maintained for each employee by the Office Manager and will be kept in a locked file cabinet or other secure location at the School.

Payroll is processed by Charter Impact. Payroll registers and all other required reports are maintained by Charter Impact.

Payroll for salary exempt staff is on a semi-monthly schedule paid around the 15th and 30th / 31st of each month for the following pay periods:

<u>Pay Date</u>	<u>Pay Period Covered</u>
Mid month =	1 st - 15 th of the current month

End of month = 16th – 31st of the current month

Payroll for non -exempt hourly staff is paid around the 15th and 30th / 31st of each month based on hours worked and approved for a pre-determined pay period. The Executive Director and/or Office Administrator review & approve time cards prior to submitting for processing. All overtime is to be approved by the school's Executive Administrator prior to being incurred.

Time sheets are submitted each pay period in accordance with the payroll calendar delivered to NHCA in June of each year.

An Employee Handbook will outline other policies related to hours worked, vacation and sick time.

For certificated employees, a log of credential expiration dates will be maintained by the Office Manager and will be monitored on a monthly basis to ensure valid status at all times.

State Teachers' Retirement System

All employees in credentialed positions are required to participate in the State Teachers' Retirement System (STRS) for retirement benefits. STRS reporting must be done through the Los Angeles County's Access-based system, and reports and payments are due to the County by the 1st business day of each month for the prior month's contributions.

Alternative Retirement System

NHCA does not currently have an alternative retirement system in place other than Social Security for employees not participating in STRS.

CONTRACTS AND AGREEMENTS

Agreements entered into by NHCA which obligate NHCA to more than \$25,000 are approved by the Board of Directors. All other authorization rules of purchases apply to contracts.

The Office Manager understands the rules regarding independent contractors, and it is NHCA's practice to obtain a completed Form W9 for all service contracts in excess of \$600 in any calendar year prior to releasing payment to the vendor. Forms 1099 for applicable service providers will be prepared and filed by Charter Impact each year in accordance with IRS deadlines.

CAPITAL ASSETS

Assets purchased or acquired with an original individual cost of \$1,000 or more and a useful life exceeding one year are capitalized and reported at historical cost or estimated historical cost. This includes new or replacement items such as computers, furniture, equipment, fixtures, etc. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the various estimated useful lives ranging from 3 to 39 years.

Contributed assets are reported at fair market value as of the date received.

NON-CASH DONATIONS

All non-cash donations of equipment, books, or other supplies received by NHCA shall be recorded at their fair market value at the time of donation.

RECORD RETENTION POLICY

NHCA maintains a policy of retaining all accounting records for a minimum of 7 years. Accounting documents include:

- Cancelled checks (where applicable) and supporting documentation for all check requests
- Deposits
- Bank reconciliations and supporting documentation
- Journal entries
- Payroll registers and pay records, including quarterly and annual tax filings
- Capital additions schedules and supporting documentation
- Depreciation schedules
- Grants and other pertinent financial correspondence from third parties
- Year-end work-papers and audit correspondence
- IRS correspondence

Please refer to NHCA Record Retention Policy for further information about the length of time that specific documents will be retained by NHCA.

MONTHLY AND YEAR-END FINANCIAL PROCEDURES

At the end of each month, the following procedures are completed by Charter Impact:

- Reconcile all bank and credit card accounts
- Reconcile all balance sheet accounts
- Review all revenue and expense activities for accuracy
- Review revenues and expenses against current year budget and research variances
- Prepare financial statements for distribution to the Executive Administrator and Board of Directors

New Horizons Charter Academy
Expenditures through: June 30, 2018
Resource 1400 Education Protection Account

Description	Object Codes	Amount
AMOUNT AVAILABLE FOR THIS FISCAL YEAR		
Local Control Funding Formula Sources	8010-8099	56,720.00
Federal Revenue	8100-8299	0.00
Other State Revenue	8300-8599	0.00
Other Local Revenue	8600-8799	0.00
TOTAL AVAILABLE		56,720.00
EXPENDITURES AND OTHER FINANCING USES		
Certificated Salaries	1000-1999	43,960.00
Classified Salaries	2000-2999	0.00
Employee Benefits	3000-3999	12,760.00
Books and Supplies	4000-4999	0.00
Services, Other Operating Expenses	5000-5999	0.00
Capital Outlay	6000-6599	0.00
Other Outgo (excluding Direct Support/Indirect Costs)	7100-7299	
	7400-7499	0.00
Direct Support/Indirect Costs	7300-7399	0.00
TOTAL EXPENDITURES AND OTHER FINANCING USES		56,720.00
BALANCE (Total Available minus Total Expenditures and Other Financing Uses)		0.00