

FAFA ACCOUNTING POLICIES & PROCEDURES MANUAL

The accounting policies and procedures manual includes the process from the establishment of a Chart of Accounts through the preparation of financial reports. The following accounting procedures were designed to be used in conjunction with the corporate policies, program operations and personnel manuals of Friendship Academy of Fine Arts Charter School.

Chart of Accounts

The chart of accounts provides transaction classification necessary for the presentation of financial statements in accordance with Generally Accepted Accounting Principles, and to provide a tool for the management decision process. The chart of accounts is tailored to the specific guidelines of UFARS and is a valuable tool in the budgeting and control process.

The account coding has up to seventeen digits segregated into two groupings. Accounts should be added or deleted as deemed appropriate in light of good management control and financial reporting.

- The accountant and school administrator determines the natural classifications for every invoice.
- New accounts are assigned an unused code but within the parameters of the classifications.

Budgeting

- The school administrator and board of directors finance committee meet to review the prior year's financial results. They also examine changes in the environment, funding sources, or vendors.
- The school administrator and board of directors finance committee then projects expenses for each natural line item.
- The school administrator and finance committee prepares the budget.
- The budget is then submitted to the Board of Directors for approval.
- The school administrator and finance committee monitors budget to actual expenditures monthly.

Cash Receipts

- The school administrator is responsible for opening mail and restrictively endorsing checks received.
- The staff accountant codes the cash receipt journal entry and the school administrator prepares the daily bank deposit. The deposit ticket has the name and amount for each check deposited.
- The deposit slip is reconciled with the cash log prepared by the school administrator.
- All cash and checks are stored in the school administrator's office until deposited. Only the school administrator has access.
- Deposits are brought to the bank by the school administrator.

Bank Reconciliation

- The school administrator receives all bank statements directly from the bank.
- The contracted accounting firm prepares the bank reconciliation within one to two weeks of receiving the bank statement.
- The bank reconciliation and statement are forwarded to the school administrator for review.
- Bank statements, cancelled checks, and reconciliations are stored in the school administrator's office.

Purchasing/Receiving

- The school administrator must approve all purchases.
- The items purchased are delivered to the office clerk and reconciled to the requisition form. The office clerk initials and dates the requisition form noting any items not received.
- The office clerk then forwards the invoice to the school administrator with a signature authorizing payment.

Property and Equipment

- The school administrator must authorize fixed asset purchases.
- An inventory of individual items purchased over \$500.00 will be maintained and updated by the accounting personnel.
- The accounting personnel maintain a computer spreadsheet listing for all fixed assets.
- This inventory listing includes a description of the asset, date acquired, and original cost.
- The accounting personnel determine the appropriate depreciation lives. Assets are depreciated using the straight-line method.

Accounts Payable

- The school administrator receives all check requests.
- The school administrator checks the clerical accuracy of all purchase invoices, noting extensions, terms, and footing.
- The accounting personnel code each invoice per the Chart of Account.
- Invoices are forwarded to the accounting assistant weekly for payment
- The accounting personnel prepare all checks.
- The blank check stock is stored in school administrator's office and can only be accessed by the school administrator.
- Once the check run is completed the accounting personnel forwards all invoices and checks to the authorized check signer for signature. All checks require two signatures.
- The Board of Directors has designated as authorized check signers the school administrator, board of director treasurer and board of director chairman. Blank checks are not signed and checks are not allowed to be made out to Cash.
- Voided checks have the signature area removed. The accounting personnel mark these checks as void and store them in file.
- Signed checks are returned to the school administrator for mailing.
- A stub of each check is attached to the original invoice. The check number and date paid is entered onto the cancelled invoice.
- Paid invoices are kept and stored in file.

Debt

- The Organization will maintain a line of credit at a financial institution approved by the Board of Directors.
- The chair of the board of director and treasurer must approve any advances on the line of credit.
- All lease agreements will be negotiated and authorized by the board of directors.
- The Board of Directors is required to authorize all indebtedness.

Payroll

- Friendship Academy of Fine Arts employees are paid according to a pay scale determined by the board of directors.
- Pay raises are given annually. Any changes in salary are documented on a change status form and given to the employee and maintained in the personnel files.
- The school administrator has the authority to hire new personnel, with board of director's approval.
- Employees are paid on the fifteenth and last day of each month.
- All employees are required to maintain and sign timesheets for each period.
- Timesheets are reviewed and signed by the school administrator and kept for each individual.
- The school administrator then forwards the timesheet information and any employee changes to the outside payroll processor, ADP.
- ADP calculates and remits the payroll taxes each pay period and they are automatically withdrawn from the school's checking account. ADP also prepares the quarterly tax returns.
- W-2's are prepared by ADP and mailed to the office. W-2's are handed out to each person or mailed to terminated employees.
- The accounting personnel prepare the payroll journal entry.
- The accounting personnel reconcile the payroll records to the general ledger on a monthly basis.

Employee Expense Reimbursements

- Reasonable business expenses are to be reimbursed by the school; i.e. mileage, parking, copying, filing fees, etc.
- Employees must fill out an expense report form that is approved by the administrator.
- All expense forms are forwarded to the accounting personnel and processed along with the normal accounts payable procedures.

Accrued Vacation

- Employees are eligible to begin earning Paid-Time-Off (PTO) from their start date
- All eligible employees receive two personal days and six sick days per year. Paid-Time-Off must be approved the administrator.
- Paid-Time-Off will be documented separately on the timesheets.

Personnel Files

All current and former employee files are maintained by the administrator and include the following:

Current Employee Files:

- Resume or Application
- Reference Information
- Employment Offer Letter

- Job Description
- W-4
- Benefit Enrollment Forms
- Performance Reviews
- Performance Related Documentation
- Wage and Salary Actions/History
- I-9 Employment Eligibility Verification
- Benefit Claim Information
- Employee Personal Data Form (Emergency Information)
- Signed receipt of employee handbook.

The administrator is responsible for completing the required hiring forms such as the I-9 and W-4. Once the forms are completed the forms are filed in the personnel files.

Former Employee Files (Additions to above items)

- Termination Letter
- Health Insurance Continuation Form (COBRA)
- Exit Interview

Interim Financial Statements

- The accounting personnel prepare monthly financial statements. The financial statements include the balance sheet, statement of activity, and overall budget to actual comparisons.
- The financial statements are forwarded to the administrator and board of directors.
- The financial statements are provided for the board of directors meetings.
- Inquiries about the interim financial statements are directed to the accounting personnel.
- The lending institutions receive the interim financial statements upon request.

Reporting

There are numerous informational and reporting required each year. Below is a summary of the required reports and who is responsible for filing each report.

- The accounting personnel uploads UFARS data to the state department of education by September 15th and November 30th.

RECORD RETENTION

Records shall be kept in accordance with the business records retention schedule set forth below:

1. Records to retain permanently
 - Audit reports of accountants
 - Chart of Accounts

- Checks (cancelled for important payments, i.e., taxes, purchases of property, special contracts, etc.)
 - Contracts and leases still in effect
 - Correspondence (legal and important matters only)
 - Deeds, mortgages and bills of sale
 - General ledgers and end-of-year trial balances
 - Insurance records, current accident reports, claims, policies, etc.
 - Journals
 - Minute books, including By-Laws, Articles of Incorporation, and charter
 - Property appraisals by outside appraisers
 - Property records (including costs, blueprints, and plans)
 - Tax returns
2. Records to retain for 7 years
- Accident reports and claims
 - Accounts payable ledgers and schedules
 - Checks (cancelled, general)
 - Contracts and leases (expired)
 - Financial statements (end-of-year)
 - Inventories of property
 - Invoices
 - Payroll records and summaries
 - Time records
3. Records to retain for 3 years
- Correspondence (general)
 - Employee personnel records (after termination)
 - Employment applications
 - Insurance policies (expired)
 - Internal audit reports
 - Internal reports (miscellaneous)
4. Records to retain for 1 year
- Bank reconciliations
 - Correspondence (routine) with customers or vendors
 - Duplicate deposit slips

Sensitive computer files shall be backed up regularly with copies of back ups being stored off-site. These records shall be readily available to the Organization.

INSURANCE

Coverage shall include, but not be limited to the following types:

Property

- Replacement cost coverage
- Indirect loss
- Fidelity coverage
- Money coverage

Liability

- General liability coverage per occurrence
- General liability by aggregate coverage per policy
- Directors and Officers coverage
- Sexual misconduct, per occurrence
- Sexual misconduct, per policy
- Medical payments coverage

Worker's Compensation

- Statutory Coverage

Umbrella

- Minimum coverage of \$1,000,000 limit

An annual review shall be conducted to ensure appropriate insurance coverage for the Organization.