

FINANCIAL PRACTICES POLICY

Section 1 Budgeting

Section 1.1 Budget Process

The Head of School and the Treasurer of the Board of Directors will ensure that Hawthorn Leadership School for Girls follows a budgeting process that is consistent with the requirements of federal and Missouri statutes, Department of Elementary and Secondary Education Rules and Regulations and any other applicable laws or rules.

Each year the Head of School or the Treasurer shall submit to the Board of Directors for consideration a detailed annual budget showing estimates of income and expenditures for the ensuing fiscal year.

The Board of Directors may revise the proposed budget prior to adoption. The Board shall formally adopt a budget in an open meeting held in accordance with the Board's bylaws by June 30 of each fiscal year, according to statutory provisions, and before the expenditure of any funds for the next fiscal year. The approved estimated expenditures for each fund cannot exceed the estimated revenues to be received plus the unencumbered beginning cash balance or less any deficit estimated for the fund for the beginning of the fiscal year.

The Secretary of the Board will record the adoption of the budget and any amendments in the Board meeting minutes in which the adoption occurs.

After the beginning of the fiscal year, the Head of School or the Treasurer shall review with the Board the adopted budget in relationship to the beginning cash balances for each fund. The Board may make revisions to the budget as necessary throughout the year.

Section 1.2 Fiscal Compliance

The Head of School and the Treasurer shall ensure that Hawthorn complies with all state and federal laws and rules concerning the budget and related processes of the school.

Section 2 Accounting

Section 2.1 Accounting System

Hawthorn's accounting system shall conform to requirements established by state statutes, regulations of the Missouri Department of Elementary and Secondary Education (DESE), and the current version of the *Missouri Financial Accounting Manual*. Hawthorn's fiscal year begins on the first day of July and ends on the thirtieth day of the following June.

The Head of School or his/her designee shall be responsible for receiving and properly accounting for all funds of Hawthorn and implementing the accounting system. As specified in state law, the Board of Directors shall establish funds for the accounting of all school moneys. The Head of School shall open an account for each fund, and all moneys received by Hawthorn shall be deposited in the appropriate fund account.

All financial transactions shall be recorded in the revenue and expenditure records, and appropriate entries from the adopted budget shall be made in the records for the respective funds. Accurate records of capital assets shall be maintained, and a physical inventory of capital assets shall take place as determined by the Finance Committee of the Board of Directors upon advice of the School's auditors.

Hawthorn shall maintain effective control and accountability of all state, local or federal funds. Hawthorn will observe and follow all applicable grant regulations and terms, including applicable federal cost principles. The school shall compare actual expenditures or outlays of state or federal funds with budget amounts for each fund, grant or subgrant.

Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. Applicable federal cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

The Head of School shall also be responsible for student-related accounting and shall file, or cause to be filed, enrollment, attendance, food service and transportation reports as required by DESE.

Section 2.2 Capitalization

Hawthorn will treat only those purchases defined as "Capital Purchases" as capitalized items to which depreciation may be applied. Capital Purchases shall be deemed to comprise building, furniture, fixtures, equipment, software, and leasehold improvements, that meet the following two criteria:

1. a useful life of more than one year, and
2. a cost of more than \$5,000.

Section 2.3 Reporting

The Board shall receive monthly financial statements from the Head of School or his/her designee showing the financial condition of the school. In addition, other financial statements determined necessary by either the Board or the Head of School shall be presented to the Board for review.

In addition to the monthly financial statements, an annual financial statement for each fund subject to the authority of the Board during the fiscal year shall be prepared, showing:

- a. the total receipts of the fund, itemized by source of revenue, including taxes, assessments, service charges, grants of state money, gifts, or other general sources from which funds are derived;
- b. the total disbursements of the fund, itemized by the nature of the expenditure; and
- c. the balance in the fund at the close of the fiscal year; and
- d. the capital assets and any ownership interest in the capital assets of local, state and federal parties.

Section 3 Auditing

Section 3.1 Annual Audit

On at least an annual basis, the books and accounts of Hawthorn, including all financial, transportation (if applicable), and attendance records, will be audited by an independent certified public accountant in conformance with the prescribed standards and legal requirements. The Head of School shall place before the Board the matter of the retaining of a certified public accountant, and such certified public accountant shall be selected by the Board.

The audit shall be presented to the Board for examination. The Head of School shall ensure that a copy of the annual audit report is provided to each Board member.

Audits shall meet the requirements imposed by the Elementary and Secondary Education Act, as amended, for audits of local education agencies and comply with all federal audit requirements for local education agency status.

Section 3.2 Reporting

Within 30 days of receipt of the audit report, the school shall prepare a summary of the report and publish it in accordance with state law.

The Head of School shall ensure that the annual audit report and annual financial statement is timely filed with the Sponsor.

The Head of School shall ensure that a copy of the annual audit report is provided to the Department of Elementary and Secondary Education (DESE) no later than October 31 following the close of the fiscal period covered by the audit, unless an extension of time is granted.

Section 4 Insurance Coverage

Section 4.1 Insurance

The Board shall purchase insurance necessary to indemnify the School, its Board, staff and teachers against tort claims. Nothing in this policy or in any insurance contract shall be construed as a waiver of any kind of the defense of sovereign immunity.

Section 4.2 Surety Bond or Employee Theft Coverage

A surety bond, in an amount determined by the Sponsor to be adequate based on the cash flow of Hawthorn shall be maintained by Hawthorn or, in the alternative, Hawthorn shall be insured against employee theft, by an insurance company licensed to do business in Missouri, on all employees in the amount of five hundred thousand dollars or more.

Section 5 Grants, Gifts, Donations

Section 5.1 Authorization

The Board is authorized to accept grants, gifts, or donations, and to expend or use the same.

Section 5.2 Limitations

A grant, gift or donation may not be accepted if it is subject to any condition contrary to law applicable to charter schools or other public schools, or contrary to the terms of Hawthorn's charter.

Section 5.3 Federal Grant Programs

Section 5.31 Fiscal Requirements under Title I, Title II and Title IV of NCLB or ESSA

Supplement not Supplant. Hawthorn shall ensure that federal funds will be used to supplement, not supplant regular non-federal funds.

Documentation. Documentation shall be maintained, or caused to be maintained, by the Head of School or his/her designee. The documentation must clearly demonstrate the supplementary nature of federal funds.

Federal Grant Allowable Expenditures. Prior to expending grant funds, the Head of School and the grant administrator shall consult the federal Office of Management and Budget regulations known as the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Omni Super Circular") or other federal guidance to determine what costs are allowable, and ensure that all grant funds are expended in accordance with the Circular or other applicable federal law or rule.

Section 5.32 Standards for Documentation of Personnel Expenses

Time and Effort. Records are required for all employees, including teachers, paraprofessionals, administrators, and other staff that are paid with federal funds to document the time and effort

they spend within the program. The portion of the federally paid salary should be reflective of the actual activity, not budgeted, the individual has put forth for that federal program. Time and effort reporting is required when any part of an individual's salary is charged to a federal program or used as match for a federal program.

Semi-Annual Certification. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are required to be prepared at least semi-annually.

Monthly Personnel Activity Report (PAR). Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs). Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Charges for salaries must be based on records that accurately reflect the work performed. These records must be:

- Supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- Incorporated into the official records;
- Reflecting the total activity for which the employee is compensated, not to exceed 100%;
- Encompassing all activities (federal and non-federal);
- Compliant with established accounting policies and practices; and
- Distributed among specific activities or cost objectives.

Section 5.4 Additional Requirements for Charter Schools Program (CSP) Grants (NCLB Title V, Part B or ESSA)

Compliance. The Head of School shall ensure that Hawthorn shall comply and use the CSP federal funds in accordance with all statutes, regulations, and approved applications, that the CSP grant project be directly administered or supervised by the Head of School (or designated employee of Hawthorn to administer the grant), and shall use fiscal control and fund accounting procedures that ensure proper disbursement of, and accounting for, federal funds.

Section 5.5 Written Procedures

Hawthorn shall maintain and follow written procedures required by federal regulation governing federal grant programs, including, but not limited to: payment procedures (Cash Management Improvement Act), allowable/reasonable/allocable costs, cash management, procurement (including gratuity, conflict of interest, micro-purchases), and other written procedures.

Section 5.6 Travel Costs

General. Travel costs are the reasonable expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of Hawthorn. These costs are reimbursable with appropriate approval and documentation of expenses. Travel costs charged to Federal awards/funds (including, but not limited to Title I, Title II and Title IV of NCLB or ESSA, Perkins Grants, etc.) must meet the requirements of 2 C.F.R. § 200.474 and any other applicable requirements outlined in the Omni Super Circular.

Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in Hawthorn's non-federally-funded activities and in accordance with Hawthorn's written travel reimbursement policies.

Lodging and Subsistence. Costs incurred by employees for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by Hawthorn in its regular operations as the result of Hawthorn's written travel policy.

In addition, if these costs are charged directly to the Federal award, documentation must justify that: (1) participation of the individual is necessary to the Federal award; and (2) the costs are reasonable and consistent with Hawthorn's travel policy.

Documentation. Documentation can include any or all of the following: agenda, list of attendees, prior written approval, and/or written justification statement.

Section 5.7 Dependent Care

Hawthorn will not use its federal grant funds for temporary dependent care costs unless specifically permitted by the authorizing federal and/or state statute and regulations.

Adopted 12/16/21