

Global Financial

Effective 5/20/2017

Capstone Classical Academy understands that the taxpayers of Utah provide the funds entrusted to Capstone for the purpose of educating scholars. The board will be very conscious of these funds and ensure that they are spent conservatively, in a manner that is in line with Capstone's Charter and according to standard budgeting procedures. The board will establish guidelines for developing financial goals and objectives, making financial decisions, reporting the financial status of Capstone, and will manage Capstone Classical Academy's funds in accordance with all laws and the Capstone Classical Academy charter.

Assets, Liabilities, and Net Assets

Effective 5/20/2017

Assets:

Assets are defined as economic resources that are recognized and measured in conformity with generally accepted accounting principles. Assets also include certain deferred charges that are not resources, but are recognized and measured in conformity with generally accepted accounting principles. The following sections describe policies related to the recognition of assets.

1. Bank Accounts

- a. The Board may authorize bank accounts for general or specific purposes. No school assets shall be kept at any bank or financial institution that is not on the approved list of the Utah Money Management Council.
- b. All Bank accounts shall be reconciled as often as statements are available.

2. Petty Cash Payments

- a. Petty cash payments are made from a fund not to exceed \$500, and should be for cash advances, local expense reimbursement, and small-dollar vendor purchases, provided proper documentation is furnished with each request. No individual payment shall be greater than \$100.
- b. The petty cash account is balanced periodically by the Business Manager.

3. Criteria for Capitalizing and Depreciating for Property and Equipment

- a. All tangible personal property with a useful life of more than one year and a unit acquisition cost of \$5,000 or more is capitalized and recorded in the statement of net assets. Depreciation associated with the fixed asset will be calculated based on its useful life and straight-line depreciation method. The depreciation expense will be recorded in the statement of revenues, expenses, and changes in net assets.

4. Impairment of Assets

- a. A recognized impairment of an asset is reflected when circumstances warrant. The appropriate adjustment is made for any impaired assets, accompanied by a description of the impaired asset and the

measurement assumptions used in determining the impairment. All impairments should be reported to the Board of Trustees for approval of the adjustment to the fixed asset subsidiary ledger.

5. **Betterments**

a. Expenditures for significant betterments of existing leased/owned properties are recorded in fixed assets at cost. Maintenance and repairs are expensed as incurred. Depreciation associated with the betterment will be calculated based on its useful life and straight-line depreciation method. The depreciation expense will be recorded in the statement of revenues, expenses, and changes in net assets.

Liabilities:

Liabilities are defined as economic obligations that are recognized and measured in conformity with generally accepted accounting principles. Liabilities also include certain deferred amounts that are not obligated, but are recognized and measured in conformity with generally accepted accounting principles. The following sections describe policies related to the recognition of liabilities.

1. **Accounts Payable**

a. Only valid accounts payable transactions based on documented vendor invoices, receiving reports, or other approved documentation are recorded as accounts payable.

2. **Accounts Payable Payment Policy**

a. 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.

3. **Accrued Liabilities**

a. 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. Liabilities are accrued annually.

4. **Accrued Mentors' Salary**

a. The portion of any mentors' (or other employees whose salaries are paid over a period different than during which work was performed) salaries paid for a school year that extends into the next fiscal year (e.g., a twelve-month salary schedule from September 1 to August 31 of the following year) should be accrued at the end of the fiscal year for which services were rendered.

5. **Debt**

a. When applicable, 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.

b. All short-term and long-term debt is approved by the Board of Trustees.

c. Loan agreements approved by the Board of Trustees shall be in writing and specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule.

Net Assets:

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

1. **Unrestricted**
2. **Restricted**
3. **Investment in Capital Assets, net of related debt**

Asset Protection, Capitalizing and Depreciating for Property and Equipment

Effective 5/20/2017

The Director shall not allow the assets to be unprotected, inadequately maintained, or unnecessarily risked.

Accordingly, he or she shall not:

1. Fail to insure against theft and casualty loss to at least 80 percent of replacement value and against liability losses to board members, staff, and the organization itself in an amount greater than the average for comparable organizations.
2. Allow un-bonded personnel access to material amounts of funds.
3. Subject school property and equipment to improper wear and tear or insufficient maintenance.
4. Unnecessarily expose the organization, its board, or its staff to claims of liability.
5. Make any purchase contrary to Utah State Law.
6. Fail to protect intellectual property, information, and files from loss or significant damage.
7. Receive, process, or disburse funds under controls that are insufficient to meet the board-appointed auditor's standards.
8. Invest or hold operating capital in insecure instruments, including uninsured checking accounts and bonds of less than AA rating, or in non-interest bearing accounts except when necessary to facilitate ease in operational transactions.
9. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.
10. Fail to require all tangible personal property with a useful life of more than one year and a unit acquisition cost of \$5,000 or more be capitalized and recorded in the statement of net assets.

Depreciation associated with the fixed asset will be calculated based on its useful life and straight-line depreciation method.

The depreciation expense will be recorded in the statement of revenues, expenses, and changes in net assets.

Charter Focus of Grants

Effective 5/20/2017

The Director may not enter into any grants that fail to emphasize primarily the production of the charter, and secondarily, the avoidance of unacceptable means.

Accordingly, he or she shall not:

Fail to prohibit particular methods and activities to preclude grant funds from being used in imprudent, unlawful, or unethical ways.

Procurement Policy

Capstone will follow applicable state and federal laws in connection with the procurement of services, supplies and equipment, including but not limited to the provisions of the Utah Procurement Code at Utah Code 63G-6a-101, et seq.

Procurement Process

No procurement process is required for purchases up to \$1,000. Capstone may make such purchases from any vendor without obtaining competitive bids. For small purchase as defined in Utah Administrative Code R33-3-3, which will typically include purchases over \$1,000 up to \$50,000 of items other than professional services, Capstone will follow the procedures set forth in the rule and will typically obtain at least two competitive quotes and purchase from the responsible vendor offering the lowest quote meeting the specifications.

Unless an exception applies, for purchases of items other than professional services over \$50,000, Capstone will conduct an appropriate procurement process, such as a Request for Bids or a Request for Proposals.

Capstone will not artificially divide purchases or otherwise take steps in order to avoid the requirement to obtain competitive quotes or conduct a procurement process. School personnel will comply with the provisions of the Procurement Code prohibiting the acceptance of gratuities or kickbacks from vendors during the procurement process. Also prohibited is offering incentives or reimbursements for enrollment or participation in Capstone. All equipment purchased or leased will remain the property of Capstone, as described in Utah Code R277-417. Capstone will comply with the requirements of the Procurement Code in connection with any contract with a term that is longer than five (5) years, including any automatic renewals or extensions. Capstone will comply with the requirements of the Procurement Code in connection with any construction or real property improvements undertaken by Capstone.

Any alleged violations of this policy or applicable law shall be reported in writing to Capstone's Director and Board of Directors.

See Utah Code R277-113, 417

Financial Conditions and Activities

Effective 5/20/2017

With respect to the actual, ongoing financial conditions and activities, the Director shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from the charter or board priorities established in policies.

Accordingly, he or she shall not:

1. Expend more funds than have been received in the fiscal year to date without board approval.
2. Indebt the organization in an amount greater than can be repaid by certain, otherwise unencumbered revenues within sixty days.
3. Use any long-term reserves without board approval.
4. Conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balance by certain, otherwise unencumbered revenue within thirty days.
5. Fail to settle payroll and debts in a timely manner.
6. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
7. Make a single purchase or commitment of an amount greater than state law allows for.
8. Acquire, encumber, or dispose of real property.
9. Fail to aggressively pursue receivables after a reasonable grace period.
10. Operate without a purchase procedure that meets the board-appointed auditor's standards.

Property Management

Effective: 5/20/2017

Capstone Classical Academy maintains records of all government-furnished property and equipment, with an identification and segregation of property and equipment acquired through government contracts.

Identification of Property

Upon receipt, Capstone tags all property that has an acquisition cost of more than \$1,000 per item or has reasonable possibility of theft, and assigns an identification number to the property and all applicable documents.

Recording and Reporting of Property

Capstone maintains a log identifying all property in its possession, as follows:

1. Name and description
2. Serial number, model number, or other identification
3. Whether title vests with Capstone Classical Academy or another entity
4. Location and condition of the equipment
5. Ultimate disposition data, including date of disposal and sales price or method of disposal

Physical Inventories

Capstone performs a physical inventory of all property in its possession or control on an annual basis. The physical inventory records should include each asset, the related control number, location, and a brief description of its condition. The physical inventory is reconciled to the detailed fixed asset subsidiary ledger, and differences, if any, are investigated and reconciled.

Disposal of Property and Equipment

No item of property or equipment shall be removed from the premises without prior approval from the Business Manager and/or the Board of Trustees.