

**NORTHSIDE
CHARTER
HIGH SCHOOL**
BROOKLYN



NORTHSIDE CHARTER HIGH SCHOOL

Financial Policies and Procedures Manual

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INTRODUCTION

Purpose of Manual

Northside Charter High School (the “School” or “NCHS”) is committed to developing and maintaining financial policies and procedures that ensure sound internal controls, fiscal responsibility, transparency, and accountability in accordance with the generally accepted accounting principles (GAAP) practiced in the United States of America and the rules and regulations established by the Financial Accounting Standards Board (FASB). The School will follow all the relevant laws and regulations that govern charter schools within the City and State of New York. As a nonprofit organization, the School is entrusted with funds granted by Federal, State, and City government agencies as well as Corporations, Philanthropic Foundations, and Individual contributors. The policies and procedures outlined below will be part of the School’s system of internal controls designed to safeguard assets, promote operational efficiency, minimize waste, fraud and theft, and ensure accurate accounting data.

Financial Leadership and Management

The Finance and Administration Team of the School consists of:

- Board of Trustees (the “Board”)
- Board Chairperson
- Board Treasurer
- Finance Committee of the Board of Trustees (the “Finance Committee”)
- Chief Executive Officer
- Chief Finance and Operations Officer
- Assistant Director of Operations
- Chief Academic Officer
- Chief Student Services Officer
- Other persons designated by the Board of Trustees

The Financial Management Team outlined above is accountable for fiscal oversight of the School. The Financial Management Team will collectively work to make certain that all financial matters of the School are properly addressed with care, integrity, and accuracy in the best interest of the School.

Changes to the Financial Policies and Procedures Manual

This document establishes the policies and procedures for the fiscal and administrative functions conducted by the School. It is the responsibility of the School’s Financial Management Team to periodically review and revise the Financial Policies and Procedures Manual as needed. The Board of Trustees must approve all amendments to the Manual. Any violation of these policies and procedures is considered to be cause for termination or removal and, depending upon the nature of the infraction, civil and/or criminal prosecution.

Fiscal Year

The School’s fiscal year is from July 1st to June 30th.

Annual Audit

The School will undergo an annual independent audit conducted by an audit firm engaged by the Board of Trustees. The audit will be performed shortly following the close of the School's fiscal year-end.

If total federal expenditures for the fiscal year exceed \$750,000 an additional audit (under the guidance of OMB Circular A-133¹) will also be conducted by the independent audit firm.

INTERNAL CONTROL STRUCTURE

Background

Internal controls have been established to provide reasonable assurance to achieve the following:

- Effectiveness and efficiency of Operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

The internal control structure is composed of the following basic elements: (1) the control environment; (2) the accounting system; (3) control procedures; and (4) the accounting cycle.

1. Internal Control Environment

By implementing internal controls, the School establishes the importance of enforcing and maintaining accountability, transparency, and accuracy in its day-to-day financial transactions. Factors that impact the internal control environment can include School management and Board philosophy; organizational structure; ways of assigning authority and responsibility; methods of management and control; personnel policies and practices; and external influences such as significant donor expectations.

2. Accounting System

The School has implemented an accounting system consisting of processes and documentation used to identify, compile, classify, record, and report accounting transactions. These processes were established to (1) identify and record all of the School's fiscal transactions; (2) describe the transactions adequately, to allow proper classification for financial reporting, and (3) specify the time period in which transactions occurred, to record them in the proper accounting period.

3. Internal Control Procedures

The School has adopted a number of internal financial controls. These procedures are set up to strengthen the School's internal control structure in order to safeguard the

¹ OMB Circular A-133 Revised 2007; http://www.whitehouse.gov/omb/assets/a133/a133_revised_2007.pdf ; accessed on 07/2010

School's assets. The internal financial controls consist of the following:

- **Segregation of Duties:** A hierarchical structure of authority and responsibility has been developed at the School. Tasks are divided and allocated to guard against one individual having the ability to make an accounting error (either knowingly or unknowingly). This protects the School from any potential fraud or misappropriation of funds. In situations where there are an insufficient number of employees to achieve this because of budget constraints, a compensating control has been created at the School.
- **Restricted Access:** Physical access to valuable and moveable assets is restricted to authorized personnel.
- **Document Control:** To ensure that all documents are captured by the accounting system, all documents must be initialed and dated when recorded and then filed appropriately.
- **Records Retention:** Records will be maintained for the periods sufficient to satisfy IRS regulations, federal grant requirements, OMB A133 audit requirements, if applicable, and other legal needs as may be determined. Record retention requirements are reviewed annually with legal counsel and independent auditors to determine any necessary changes.
- **Processing Controls:** These are designed to identify any errors *before* they are posted to the general ledger. Common processing controls include (1) source document matching; (2) clerical accuracy of documents; and (3) general ledger account code checking.
- **Reconciliation Controls:** These are designed to identify any errors *after* transactions have been posted and the general ledger has been run. The process involves reconciling selected general ledger control accounts to subsidiary ledgers.
- **Annual Independent Audit:** The School's financial statements are audited annually by an independent audit firm selected by the Board of Trustees.
- **Security of Financial Data:** The School's accounting software is fully accessible to the Assistant Director of Operations, and Chief Finance and Operations Officer. Individual usernames and passwords will be issued for every user and their access will be limited according to their functionality and role within the School. The Chief Executive Officer will be granted read-only access for the purposes of tracking spending, fundraising, generating reports, as needed. All hard copies of financial data, when not in use, will be secured in a designated area at the School.
- **Risk Assessment:** This is designed to identify, analyze, and manage risk relevant to the preparation of accurate financial statements. It includes mitigating risks involving internal and/or external factors that might adversely affect the School's ability to properly record, process, summarize, and report financial data.

4. Accounting Cycle

The accounting cycle is designed to accurately process, record, summarize, and report transactions of the School. The School will maintain its accounting records and related financial reports on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when obligations are incurred (goods transferred, or services rendered).

The components of the accounting cycle fall into five primary functions:

- I. **Revenue, Accounts Receivable, and Cash Receipts:** Key tasks in this area include:
 - a. Processing and recording cash receipts and making deposits
 - b. Performing month-end reconciliation procedures
 - c. Tracking grant compliance and private revenue restrictions
- II. **Purchases, Accounts Payable, and Cash Disbursements:** Key tasks in this area include:
 - a. Authorizing the procurement of goods and/or services
 - b. Processing purchases and recording invoices and issuing checks
 - c. Performing month-end reconciliation procedures
- III. **Payroll:** Key tasks in this area include:
 - a. Maintaining and processing payroll information
 - b. Performing quarterly and year-end reconciliations
 - c. Preparing required federal, state and local tax filings
- IV. **General Ledger and Financial Statements:** Key tasks in this area include:
 - a. Reviewing and reconciling general ledger activity
 - b. Reconciling bank accounts
 - c. Producing financial statements
- V. **Budgets and Financial Reporting:** Key tasks in this area include:
 - a. Preparation of annual budget
 - b. Preparing monthly budget vs. actual reports

ANNUAL BUDGETING AND REPORTING

Annual Budgeting

The Finance and Administration Team is responsible for creating annual operating and capital budgets as well as updating the 5-year budget projections (as needed). The annual operating and capital budget and the 5-year budget projections (if amended) must be approved and passed by the Board of Trustees by June 30th before the start of the new fiscal year. Following this approval, any formal amendments to the budget must also be approved by the Board of Trustees.

Financial Reporting

The Finance and Administration Team with assistance from School management will complete and present financial reports as required by the Board of Trustees, including but not limited to the following:

- (1) Budget vs. Actual report with projections for the operating and capital budgets
- (2) Balance Sheet
- (3) Statement of Cash Flows
- (4) Cash Flow projections

CASH RECEIPTS AND REVENUE

Background

The School receives revenues from the following primary sources:

- Federal, State, and Local Government
- Corporations, Foundations, and Individuals

Distribution of Mail

The Office Manager sorts and distributes all mail on a daily basis.

- Bank statements and credit card statements and general correspondence are distributed to the Chief Executive Officer or Chief Finance and Operations Officer unopened for review
- Vendor bills/statements and city/state/federal agency correspondence are distributed to the Chief Executive Officer or Chief Finance and Operations Officer unopened for review
- Financial statements and vendor bills are also available via email and online portals. Access should be only available to the Chief Executive Officer and CFOO.

Receiving, Processing and Recording Cash Receipts

- All checks must be stamped immediately in the designated endorsement area with "For Deposit Only" by the Chief Finance and Operations Officer or the Assistant Director of Operations, with the appropriate bank account number and the name of the school.
- The Chief Finance and Operations Officer or the Assistant Director of Operations will make a copy of the check and file it with the rest of the back-up documentation.
- The Chief Executive Officer is responsible for reviewing deposits before the Chief Finance and Operations Officer processes the deposit.
- The Chief Finance and Operations Officer is responsible for making all deposits. Checks should be secured in a locked location until deposited, and deposits must be made daily.
- Payments received from students/families (ex. School lunch fees, uniforms, field trips) will be collected by designated staff and submitted to and counted for accuracy by the Chief Finance and Operations Officer before deposit.
- The Finance and Administration Team records the receipt of funds in the accounting system.
- The Finance and Administration Team is responsible for ensuring the completion

and filing of the Cash Receipts Packet which includes:

- o Deposit Detail from the accounting system
 - o Copy of deposit slip
 - o Bank-endorsed proof of deposit
 - o Copy of all checks and cash receipt logs for currency
 - o Additional documentation received with the check
- The Finance and Admin Team will periodically audit and review all transactions for accuracy and proper supporting documentation.

Revenue Compliance

The School's accounting and documentation system must be capable of meeting the specific requirements imposed by grant agreements and donor designations and restrictions. Restriction parameters (such as job codes, donors, or classes) will be set up in the accounting system to allow for accurate tracking of the applicable revenue, expenses, and assets based on the funding requirements. The Chief Finance and Operations Officer must ensure that all reporting requirements and deadlines are met.

Revenue Recognition for Grants

Revenue is recognized when earned and when contributions are received or awarded in accordance with GAAP.

In-kind Contributions

Donated Goods and Services

Donated goods and services can include office space, professional services such as outside counsel's legal advice, food, clothing, furniture and equipment, or bargain purchases of materials at prices less than market value. In addition, volunteers can provide free services, including administrative services, participation in fundraising events, and program services. The Finance and Admin Team records donated items or services in the accounting system at fair value or avoided cost, as determined by the donor and documented in writing.

Donated Securities

Publicly traded securities may be accepted. The School should sell all gifts of public securities as soon as reasonably possible with the cash from the sale transferred to the School's bank account. The securities will be valued at the closing price on the day it was transferred.

Contributions Acknowledgment Letter

When the School receives a donation or an unconditional pledge, a contribution acknowledgment letter stating the value of the donation is drafted by the Chief Finance and Operations Officer, signed by the Chief Academic Officer, or Chief Executive Officer and sent to the donor. The acknowledgment should include:

- The amount of cash received and a description of any other property contributed, (for in-kind goods contributed in which donor determines fair value for their individual tax purposes, the donor provided fair value is included as contribution)

- A statement about whether any goods or services in return for the contribution were provided, and
- A description and an estimated value of what was provided if the School provided something in return for the contribution.

These rules do not apply on a cumulative basis, i.e., one contributor who makes separate donations, each-is not required to receive an acknowledgment.

Accounts Receivable Aging

All outstanding accounts receivable are aged on a thirty, sixty, ninety, and over-ninety day basis. The Chief Finance and Operations Officer should review the accounts receivable aging monthly, determine which invoices are collectible, and follow the necessary requirements based on the type of funding, in order to collect. Accounts receivable that are deemed uncollectible will be written off once approved by the Chief Finance and Operations Officer.

PURCHASES AND CASH DISBURSEMENTS

Background

The School procures only those items and services required to fulfill the mission and/or fill a bona fide need. Procurements are made using best value contracting, which entails assessing the best value considering quality, performance, and price.

The School adheres to the following objectives:

- Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable considerations such as delivery, quantity, quality, etc.
- The School will make all purchases in the best interests of the School and its funding sources and in accordance with any grant restrictions as applicable.
- The School will buy from reliable vendors.
- The School will obtain maximum value for all expenditures.
- The School will be above suspicion of unethical behavior at all times; avoid any conflict of interest, related parties, or even the appearance of a conflict of interest in the School supplier relationships. The School's conflict of interest policies are described in its Bylaws.

Exemption from Sales Tax

The School is exempt from federal and state tax. As such, the School is exempt from sales taxes on goods purchased for their own internal use and services. It is the responsibility of the Chief Finance and Operations Officer to ensure that all vendors have a copy of the sales tax exemption letter allowing the School to be exempt from sales taxes.

Bidding Process

The School utilizes the following procurement guidelines:

Vendor Type	Definition	Bidding requirement
Preferred vendors	The vendor has a contract with New York City and/or New York State.	No bidding is required. (The Chief Finance and Operations Officer must prepare a memorandum documenting vendor status.)
Sole vendors	The vendor is providing a unique service or product that is not offered by other vendors.	No bidding is required (Chief Finance and Operations Officer must prepare a justification statement.)
Renewing vendors <i>**Vendors will be subject to bidding 3 years after initial board approval**</i>	The vendor has been providing this service previously and the agreement needs to be renewed.	No bidding required
All other vendor purchases:		
- Under or equal to \$9,999		No bidding is required.
- Greater than or equal to \$10,000		Bidding is required (see below.)

Competitive Bidding Procedure

- The Chief Finance and Operations Officer will seek price quotes from at least three vendors and award the contract to the qualified vendor offering the supply or service needed for the lowest price.
- The Chief Finance and Operations Officer is responsible for soliciting and documenting these quotes and obtaining initial approval from the Chief Executive Officer.
- The Board of Trustees must provide final approval after multiple bids with recommendations are presented to them.
- The award may be made to a vendor other than the low bidder in circumstances where the higher bid demonstrates best value contracting procedures to the School. In such situations, the Chief Executive Officer and/or Chief Finance and Operations Officer shall prepare a justification statement for such awards, furnishing a brief explanation of the factors leading to such a decision.
- If required by the School’s Authorizer, the School will notify the School’s Authorizer of any material or significant purchases, contracts, and agreements in addition to obtaining Board of Trustee approvals.

- Starting FY 22-23: Any vendor who has a contract of one-hundred thousand dollars (\$100,000.00) or less that was approved by the Board in accordance with the policies in this Financial Policy and Procedures Manual may be renewed for up to three (3) years following the initial Board approval, except management and the Board of NCHS decides otherwise. This renewal is predicated upon:
The services/products provided under the contract shall be substantially similar to those approved by the Board under the initial contract;
There shall be no material alteration to the terms governing the contract;
Any increase in contract amount shall not exceed ten thousand dollars (\$10,000.00)

Processing Purchases

Approval

No staff member may approve his/her own purchase requests. Each purchase must be approved as follows:

\$ Value/Range	Required Signatures for Approval
\$9,999 and below	Chief Academic Officer or Chief Student Services Officer or Chief Executive Officer Expenses \$5,000 to \$9,999 must be reviewed and approved by a combination of two administrators (e.g., Chief Academic Officer and Chief Executive Officer)
\$9,999 and above	Chief Executive Officer and Board Chairperson (or Designated Board Member in his/her absence)

Issuance and Monitoring of Purchase Orders

- Requisition/Purchase Orders are submitted to the Chief Finance and Operations Officer in physical or electronic form.
- The Chief Finance and Operations Officer creates a Purchase Order (“PO”) per vendor and based on the total value of the Purchase Order, has it approved based on the table above. All purchasing thresholds apply to the entire order, not single items.
- The Chief Finance and Operations Officer then sends the order to the vendor, accompanied by any required documentation.

Receipt of Goods

- The Office Manager will sign for the delivery.
- The Office Manager is responsible for opening the box(es) and obtaining the packing slip(s).
- The Office Manager will check the packing slip against the original PO. In instances where there is no packing slip, the Office Manager will complete a Receipt Acknowledgement Form.
- If there are discrepancies with the order the Office Manager will contact the vendor to resolve any issues.

Processing Disbursements

- The Chief Finance and Operations Officer or Assistant Director of Operations enters the vendor invoice into the accounting system.
- The Chief Finance and Operations Officer will process approved disbursements through the online billing system for proper authorization. The Chief Finance and Operations Officer and Chief Executive Officer may act in his/her absence.
- If payment by check, the Finance and Admin Team will assemble and file (once complete) the following Cash Disbursement Packet:
 - Check Stub
 - Purchase Order/Reimbursement Form
 - Vendor Invoice

- o Packing Slip
- o Other documentation
- The Chief Finance and Operations Officer will review accounts payable aging to determine invoices to be paid, taking into consideration purchase discounts whenever possible.
- The Chief Finance and Operations Officer will maintain all blank check stock in a locked location at the School.
- The Chief Finance and Operations Officer or Finance and Administration Team or their designee may prepare any physical checks. The checks are run weekly or as needed.
- The Cash Disbursement Packet and check are reviewed, approved, and signed (as required below).
- The Office Manager mails the checks.
- Any and all voided checks should be stamped "Void" and filed appropriately.

Check signing authority is as follows:

\$ Value/Range	Required Signatures for Checks
Below \$9,999	Single authorized signer
\$9,999 and above	Authorized signer and Board Chairperson (or Designated Board Member in his/her absence)

In no event shall an authorized signatory approve an invoice, execute a check, or authorize a disbursement of any kind, payable to her/himself.

Online/Phone/Fax/EFT Payments

Payments made online or by phone, fax, or electronic funds transfer (EFT) may be processed by the Finance and Admin Team or the Chief Finance and Operations Officer only after the Purchase Order is approved by the proper signatories (detailed above). The Purchase Order Form will take the place of a traditional check.

Accounts Payable

Accounts payables outstanding are aged on a thirty, sixty, ninety, and over-ninety-day basis. The Finance and Admin Team and Chief Finance and Operations Officer will review the accounts payable aging monthly, determine the available cash balances while taking into consideration other cash requirements in the near future and select which items to pay.

Outstanding Checks

Checks outstanding for 90 days or more should be investigated by the Assistant Director of Operations or Chief Finance and Operations Officer. Based on the outcome of the investigation, the check should be voided in the accounting system, a stop payment issued with the bank and a new check issued to the vendor.

Reimbursable Expenses

- With prior approval, as described below, staff may make the purchase with their own funds and apply for reimbursement.
- Reimbursable expenses will require pre-approval by designated approvers via the appropriate physical or electronic form.
- The Chief Executive Officer will approve expenses of his/her direct reports:
 - Chief Finance and Operations Officer,
 - Chief Student Services Officer,
 - Chief Academic Officer and
 - Special Projects Coordinator
- The Board Chair or his/her designee will approve the Chief Executive Officer's expense reimbursements.
- Receipts are required for all expenditures requiring reimbursement.
- Employees should note that the School is tax exempt and therefore does not reimburse employees for tax. A copy of the Sales Tax Exempt Certificate may be obtained from the School for use when making reimbursable purchases.

Travel Expenses

- All travel arrangements, including daily expenses or per diem allowances, must be pre-approved by the Chief Executive Officer.
- The board will approve the Chief Executive Officer's travel expenses.
- All travel arrangements will be purchased or reimbursed by the School within established guidelines.
- Expectations for daily expenses or per diem allowances will be determined prior to the employee's trip.
- Receipts are required for all expenditures requiring reimbursement, and requests for reimbursement must be made within 45 days of the expense.

Mileage Reimbursement

- Employees are reimbursed at the standard mileage rate per mile as determined by the Internal Revenue Service for use of their own vehicle for business-related travel. Expenses must be pre-approved.
- Parking fees and toll fees for business-related travel must be pre-approved and are reimbursable if supported by receipts.

Political Contributions

No funds or assets of the School may be contributed to any political party, school, or individual who either holds public office or is a candidate for public office. The School also cannot be involved with any committee or school that raises funds for political purposes. Examples of prohibited activities are:

- Political contributions by an employee that are reimbursed by the School.
- Purchase by the School of tickets for political fundraising events.
- Contributions in-kind, such as lending employees to political parties or using School assets in political campaigns.

Debit/Credit Card Purchases

- The School maintains a debit/credit card account in the name of the School, with no more than (5) cards issued under one School account.
- All cardholders must sign and adhere to the School's Debit/Credit Card Usage Policy.
- All debit/credit card purchases/payments must be approved based on the purchasing guidelines and the credit card usage policy.
- Debit/credit card statements will be viewed online as well as reconciled monthly and must be submitted to the Board Treasurer or a Board Finance Committee Designee for review monthly.

Responsibilities of Cardholder(s)

The Chief Executive Officer, Chief Finance and Operations Officer, Chief Academic Officer, and Chief Student Services Officer are responsible for the safekeeping of these cards, and will be held accountable to:

1. Ensure that the card is used only for legitimate School purposes.
2. Adhere to the Debit/Credit Card Agreement
3. Maintain original receipts, invoices, purchase documents and correspondence including all detail related to the purchases on file for audit purposes, and to provide the School with copies of such documents upon request; and
4. Advise the School of any incorrect charges/transactions in order to follow-up and obtain credit from the issuing institution if warranted.

Cancellation and Renewal of Cards

Cards will be canceled should an individual leave their position or role with the School and if any of the above policies, procedures, and guidelines are not followed.

Rewards Program

If applicable, any rewards/points earned on the debit/credit card will be redeemed and either used for faculty merit incentives or reduction of the School's expenses.

MANAGEMENT OF CASH

Bank Accounts

The School has the following accounts:

- Checking Account (Operating Account)
- Savings Account
- Investment Account(s)
- Escrow Account*

*The Escrow Account for Dissolution is required by the School's Authorizer to be a Board of Trustees-controlled dissolution account, and its sole purpose is to pay for legal and audit expenses associated with the dissolution of the School, should it occur. The School's Authorizer requires the School to set aside \$75,000 over the first three years in this Escrow Account earmarked for the above-named purpose.

In all instances, the School is utilizing its accounts in a way that safely maximizes its overall interest income. The School may include the following authorized signatories on the accounts:

- Chief Executive Officer
- Board Chairperson
- Board Treasurer
- Board Secretary

Board approval is required to open or close a bank account and must be recorded in the board meeting minutes.

The School recognizes that federal insurance on deposits with a participating bank institution is limited to a total of \$250,000, regardless of the number of accounts held. If deemed necessary, the School may negotiate with the financial institution in order to secure such deposits in excess of federal coverage.

Bank Reconciliation

- Monthly bank account reconciliations are processed by the Staff accountant on the Finance and Admin Team using the accounting system.
- Any irregularities shall immediately be reported to the Chief Executive Officer.
- A reconciled Bank Reconciliation report is attached to the bank statement and reviewed and signed by the Board Treasurer.
- Bank reconciliations are also provided to the Board as part of the monthly financial package.

Petty Cash Account

The School does not maintain petty cash.

Cash Transfers

- Cash balances in all the School bank accounts will be monitored by the Finance and Administration Team and Chief Finance and Operations Officer to ensure that an adequate amount of funds are on hand to meet the School's financial obligations.
- Transfers **among** the School accounts (only) may be made by the Chief Finance and Operations Officer or the Finance and Administration Team as needed, per approval from the Chief Executive Officer.

Investment of Funds

The Chief Executive Officer and Chief Finance and Operations Officer have been granted authority in conjunction with the Board Finance Committee approval to:

- Purchase and sell investments
- Have access to investment certificates
- Keep records of investments and investment earnings
- Review and approve investment accounting, bank and broker statement reconciliations, adjustments to the carrying value of investments, and other decisions regarding investments

Authorization of Investment Vehicles

Annually, the School's Board of Trustees authorizes the use of specific depository and investment banks and brokerage firms. This authorization is documented in the minutes of the applicable board meeting and communicated to the Chief Executive Officer and Chief Finance and Operations Officer. The Chief Executive Officer and Chief Finance and Operations Officer communicate the authorization and a list of those personnel designated as authorized agents for the agency to the appropriate banks and firms.

Reconciliation of Investment Accounts

Investment account balances are reconciled with the general ledger balance by the Chief Finance and Operations Officer; reviewed by the Finance and Admin Team on a monthly basis and reviewed with the Board Treasurer.

PAYROLL

Hiring

The School's philosophy is that success depends on hiring highly qualified professionals who are dedicated to ensuring that the services rendered to the students are of high standards, under the direction of the Chief Executive Officer and Chief Academic Officer, with consultation and consent of the Board.

- Recruitment is a comprehensive process that includes advertisements in newspapers and educational journals, extensive networking, and/or use of regional and national educational search firms and online publications.
- All new employees must receive a signed and approved employment letter from the Chief Executive Officer, Chief Academic Officer, Chief Student Services Officer, or Chief Finance and Operations Officer.
- Any new employees will be subject to fingerprinting and any additional background

- checks and references as outlined in our Personnel Handbook.
- Once the new employee is hired, the Chief Finance and Operations Officer/Assistant Director of Operations will collect all necessary payroll data (see *Personnel File* table) and communicate it to the outside payroll service provider.
 - If a situation arises where an employee must begin service before fingerprint clearance is obtained, the employee must receive an Emergency Conditional Appointment that has been approved by the School's Board of Trustees.

Salary Determination

- The School will review comparable data which can include published compensation surveys and executive compensation reported in the IRS Form 990 of other NYC charter schools.
- The Board of Trustees determines the salaries for key employees (Chief Executive Officer and top five paid employees). Any such decisions will be captured in the Board meeting minutes.
- Any changes to a staff member's salary will be approved by the Chief Executive Officer in writing or electronically and maintained in the employee file. Any proposed salary increase that is above the overall departmental total in the Board approved final budget and will result in a budget variance, must be approved in advance by the Board of Trustees. Board approval is required for any changes to the salaries of the top 5 paid employees and any other members of management.
- If applicable, bonus calculations, requirements and eligibility are determined by the Chief Executive Officer, outlined explicitly and recorded in the meeting minutes. A payment schedule is created by the Chief Executive Officer which would then be submitted to the Board for their approval.

The School complies with the laws and general principles of employee confidentiality as set forth in the Health Insurance Portability and Accountability Act (HIPAA)² with regard to the dissemination of private health information (PHI) of School employees. To comply with all rules and regulations, including the Americans with Disabilities Act (ADA)³, the School will keep all medical records and all other related documents separate from the personnel file. Employees should consult with the Chief Finance and Operations Officer for further information concerning the School's privacy practices.

Analyzing Job Information

The Fair Labor Standards Act (FLSA)⁴ sets employee minimum wage and overtime requirements. Job positions are classified as either exempt or non-exempt from the requirements. These requirements are summarized below and are adhered to by the School.

² Health Insurance Portability and Accountability Act (HIPAA); <http://www.hhs.gov/ocr/privacy/hipaa/administrative/index.html>; access on 07/2010

³ Americans With Disabilities Act of 1990, as Amended; <http://www.ada.gov/pubs/adastatute08.pdf> ; access on 07/2010

⁴ Fair Labor Standards Act (FLSA); <http://www.dol.gov/whd/flsa/index.htm> ; access on 07/2010

NON-EXEMPT employees are entitled to overtime pay for all hours worked over 40 hours in a workweek under the Fair Labor Standards Act. Non-exempt employees do not receive compensation for their lunchtime, and they may not work during lunchtime.

EXEMPT employees are not entitled to overtime pay under the Fair Labor Standards Act.

In addition to the above categories, each employee will belong to one other employment category:

- **REGULAR FULL-TIME** employees are those who are not in a temporary status and who are regularly scheduled to work the School's full-time schedule. A regular full-time employee is one who works thirty-five (35) or more hours per week.
- **PART-TIME employees** are those who are not in a temporary status and who work continuously for a specified number of hours per week, which is less than a regular schedule of thirty-five (35) or more hours per week. Part-time employees receive all legally mandated benefits (such as Social Security and workers' compensation insurance).
- **TEMPORARY employees** are those that are hired for short-term periods, usually no longer than six (6) months. They will receive all legally mandated benefits but are not eligible for the School's discretionary benefits.

Compensation Accrual

Unpaid compensation (including unused vacation, sick and personal) as of June 30th of each fiscal year will be accrued per GAAP.

Obtaining Payroll Information

The Chief Finance and Operations Officer is responsible for obtaining the following:

Personnel File	
Acceptance Letter	Form I-9 Employment Eligibility Verification, with proper identification (to be kept in a separate file)
Job description	Federal Withholding Form W-4
Resume	NYS Wage Theft Prevention Form
Certifications (if applicable)	NYS IT-2104
Fingerprint Check	Direct Deposit
Retirement Account Application	Benefit Enrollment Form
Life Insurance Form	Emergency Contact Information
Resignation/Termination Letter	Payroll change documentation (i.e. enrollment/discontinuance of a benefit, change salary or title)

- All personnel files must be kept in a locked file cabinet and kept based on record retention requirement, Annex 2.
- Access to such personnel files is limited to the Chief Executive Officer and Chief

Finance and Operations Officer.

- No employee can review or access his or her own personnel file without written permission of the Chief Executive Officer and/or Chief Finance and Operations Officer.
- No personnel file is to be copied or removed from the office where it is kept unless expressly permitted in writing by the Chief Executive Officer or Chief Finance and Operations Officer.

Time Reporting Procedures

- All employees are responsible for tracking the actual time they have worked and paid time off, in accordance with the Employee Handbook.
- The Chief Finance and Operations Officer/Human Resources Provider will keep track of all days the employees are not at work based on approved leave requests through the Human Resources Provider platform.
- All overtime work must be pre-approved by his/her supervisor.
- Time off for no-fault days, leaves of absence, and unpaid lunch hours will not be considered hours worked for purposes of calculating overtime pay.

Processing Payroll

- Any approved (as described above) changes to an individual's compensation must be approved in writing by the Chief Executive Officer and/or Board of Trustees, if applicable, and submitted to the Chief Finance and Operations Officer/Human Resources Provider.
- The Chief Finance and Operations Officer/Human Resources Provider is responsible for removing terminated employees from the payroll system immediately after the terminated employee has received her/his last payment from the School.
- Chief Finance and Operations Officer and Assistant Director of Operations prepares payroll in the Human Resource system based on payroll preparation schedule. Assistant Director of Operations reviews each employee compensation for the pay period and downloads payroll preview files for records.
- The Chief Finance and Operations Officer/ Logs into the Human resource system to review and pre approved payroll amounts.
Human resource provider processes payroll and Notifies Chief Finance and Operations officer for final approval
- Final Payroll is approved by the Chief Finance and Operations Officer for payment.
- Human resource provider sends an invoice for payment .
- Payroll checks and direct deposit stubs are distributed to employees by the Chief Finance and Operations Officer/Human Resources Provider.
- The Chief Finance and Operations Officer/Human Resources Provider controls and monitors all payroll checks that are not deliverable and not cashed.
- Written requests for lost checks are submitted to the Chief Finance and Operations Officer/Human Resources Provider for a replacement check.
- All payroll documents must be maintained in a secured and locked location with access limited to the Chief Finance and Operations Officer/Human Resources Provider and Chief Executive Officer. Documentation for each payroll consists of the

following:

- Payroll Register Preview
- Approved (by Chief Academic Officer and or Chief Executive Officer) documentation for payroll changes to individual employees (i.e. new hires, terminations, pay rate changes, or payroll deductions)
- Final Payroll Register and Reports

The School is on a semi-monthly payroll cycle which is made up of twenty-four (24) pay periods per year. Part-time hourly employees are only paid for time worked. Changes will be made and announced in advance whenever the School holidays or closings interfere with the normal pay schedule.

Payroll Reconciliations

The payroll vendor is responsible for the preparation of quarterly and annual payroll tax filings. The Chief Finance and Operations Officer, and Finance and Admin Team are responsible for reviewing all payroll tax documents and supporting schedules for accuracy and completeness.

Quarterly Reconciliation of Payroll to Accounting Records

On a quarterly basis, the Finance and Admin Team will prepare a reconciliation of all salary accounts, benefit deductions and payroll taxes in the general ledger, as compared to the salary reported by the payroll processing company on the Form 941 and/or other Quarterly Payroll Return. Any variances are researched and cleared within the month following quarter end.

Annual Reconciliation of Payroll to Accounting Records

On an annual calendar basis, the Finance and Admin Team prepares a reconciliation of the annual Form 941 and W-3 to General Ledger. Variances are researched and cleared by January 31 of the following year.

PROPERTY AND EQUIPMENT

Background

All property and equipment subject to the School's Capitalization Policy must be tagged in the manner described below and depreciated according to the School's Depreciation Policy.

Capitalization Policy

The School must capitalize items with an acquisition cost of \$1,000 or more **and** a useful life greater than one year. These items are subject to the School's depreciation policy, outlined below.

In instances where a large quantity of one single item is purchased, if the total value exceeds the \$1,000 threshold, the items may be capitalized. For example, if a School buys 100 desks at \$250 per desk, each single item would not meet the threshold. Together, however, these 100 desks have a combined value of \$25,000, which should be

capitalized.

Asset Tracking Process

Upon receiving any property that qualifies as a fixed asset, the Technology Manager is responsible for recording the following into the Fixed Asset Tracking List:

- Asset tracking number as designated by the School
- Asset name and description
- Classification (i.e. land, building, equipment, betterment, leasehold improvements, furniture, computer hardware and software)
- Serial number, model number, or other identification
- Indicate if the title vests with the governmental agency, if required
- Vendor name and acquisition date or date placed in service
- Location of the equipment
- Purchase Value
- Disposal Date and Reason

Each item is also physically tagged in a visible area on the item and with an indication of whether the item belongs to the School or a governmental agency (i.e. purchased with grants such as Department of Youth and Community Development).

No employee may use or remove any of the School property, equipment, material or supplies for personal use without the prior approval of the Chief Academic Officer, Chief Student Services Officer, Chief Executive Officer or Chief Finance and Operations Officer.

The Chief Finance and Operations Officer, performs annual inventory audits, verifying, and updating the data contained in the Fixed Asset Tracking List. The Fixed Asset Tracking List is reconciled to the General Ledger by the Finance and Admin Team.

Depreciation Policy

Depreciation associated with fixed assets is calculated based on the asset's useful life using the straight-line depreciation method. Depreciation is based on the month the item was actually purchased. For instance, if the School purchased a computer in July, it would be depreciated for a full fiscal year (12 months out of 12), and recorded as such. But if the School purchased the computer in April, then it would be depreciated for just one-fourth of the fiscal year (3 months out of 12) because it would only be in service for April, May and June.

Any item that is damaged, sold, lost or stolen will be taken out of service and written off.

Depreciation Policy	
Computers and Servers	3 years
Furniture and Fixtures	5 years

Office and Classroom Equipment	5 years
Leasehold improvements	Shorter of: 1) the useful life of the leasehold improvements, or 2) the remaining years of the lease
Musical Instruments	3 years
Software	3 years

DEBT

Board approval (as documented in the board meeting minutes) is required for incurring any loans, notes or lines of credit for the School. The Chief Executive Officer will be authorized to negotiate the debt on behalf of the Board. Two signatures (Board Member and Chief Executive Officer) are required for all approved debt agreements.

Any loan covenants and restrictions will be reported to the full Board when the debt is authorized. The Chief Finance and Operations Officer, Finance and Admin Team and Auditors will periodically review these covenants and report to the Board of Trustees if there are any violations or potential violations of the covenants.

The Finance and Administration Team will reconcile the general ledger debt balances to statements or amortization schedules each month.

CONTRACTS AND LEASES

The Chief Executive Officer will be authorized to negotiate and sign for any contracts and lease agreements as approved by the Board of Trustees and documented in Board minutes.

The Chief Finance and Operations Officer, Finance and Admin Team, and Auditors will periodically review contract covenants/details and report to the Board of Trustees if there are any violations or potential violations of the covenants. The Finance and Admin Team will ensure that the appropriate accounting entries are made to properly reflect the obligations of the contract in conformity with accounting principles generally accepted in the United States of America.

Utilization of Independent Contractors/Consultants

- When the School makes the choice to utilize an independent contractor, it first ensures that the individual does qualify as an independent contractor and should not be categorized as a regular employee.
- The School will maintain a written contract with the contractor/consultant.
- The School must obtain Form W-9 from the contractor/consultant prior to issuance

- of the first payment for services provided.
- In all cases where total payment exceeds \$600.00 in a calendar year, the School will issue IRS form 1099-Misc, as required by law.

IRS FORM 990 PREPARATION AND FILING

The preparation of the School's IRS Form 990 and CHAR500 (if required) will be contracted out to the independent accountants. The Finance and Administration Team and Chief Finance and Operations Officer will be responsible for providing the information needed to prepare the report.

The Finance and Administration Team will review the Form 990 draft. Any changes are communicated to the independent accountants and a revised draft is then forwarded to the Board. The Board of Trustees must approve the IRS Form 990 prior to filing. The returns must be signed by the Board Chairperson or Board Treasurer.

INSURANCE COVERAGE

The School maintains insurance policies as required such as: Building Insurance, Crime, Automobile, General Liability, Directors' & Officers', Umbrella Liability, Student Accident, Commercial Package and Workers Compensation, as applicable.

The Chief Finance and Operations Officer will conduct an annual review of coverage amounts. The purpose of this review will be to ensure there are adequate means by which to preserve the School's assets and lower the risk of being underinsured. New policies will be executed by the Chief Executive Officer with Board Chair or appropriate legal review of any contracts. The Chief Finance and Operations Officer is responsible for procuring annual renewals with the School's insurance broker at least one month in advance of a policy's expiration. The Chief Finance and Operations Officer maintains original copies of all insurance policies at the School.

RECORDS RETENTION

Records Retention Policy

All confidential paper records shall be maintained in locked facilities on School premises accessible by the Chief Executive Officer, Chief Finance and Operations Officer, Chief Academic Officer and Chief Student Services Officer. The School has an established Disaster Recovery Policy. Please reference the School Safety Plan for details. Annex 2 contains a table which provides the minimum requirements for records retention, as recommended by the Non-Profit Coordinating Committee of New York, www.npccny.org:

The following corporate documents are maintained on-site or stored electronically:

- a. Charter and all related amendments
- b. Minutes of the Board of Trustees and subcommittees
- c. Banking documents
- d. Leases
- e. Insurance policies
- f. Vendor invoices
- g. Grant and contract agreements
- h. Fixed asset inventory list
- i. Tax returns and correspondence

Records Access Policy

The Chief Finance and Operations Officer will provide access to the School's records, as requested by auditors to facilitate the completion of such audits or reviews, in a timely manner.

Records Destruction Policy

Once School records have reached the conclusion of their retention period according to the Records Retention Policy, the office of origin will request authorization from the Chief Executive Officer, Chief Academic Officer, or Chief Student Services Officer for their destruction. If any litigation, claim, or audit is started before the expiration of the designated retention period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The School will arrange for the safe and secure destruction of confidential records. Destruction methods will not permit recovery, reconstruction and/or future use of confidential information. An overview of these methods follows:

- Paper records containing sensitive confidential information **must** be shredded and not disposed of with other waste.
- Electronic or digital data containing sensitive confidential information must be purged from the computer systems in the following manner; 1) Deletion of the contents of digital files and emptying of the desktop "trash" or "waste basket." 2) Use of purchased software applications to remove all data from the storage device.
- It is recommended that sensitive confidential data stored on removable storage devices should be physically destroyed.

FRAUD AND MISAPPROPRIATION

The School will not tolerate any fraud or suspected fraud involving employees, officers or trustees, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with the School.

The Chief Executive Officer, Chief Academic Officer, Chief Student Services Officer, Chief Finance and Operations Officer and Board of Trustees are responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury.

Actions Constituting Fraud and Misappropriation or Misconduct

The term fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

- Any dishonest or fraudulent act
- Forgery or alteration of any document or account belonging to the School
- Misappropriation of funds, supplies, equipment, or other assets of the School
- Impropriety in the handling or reporting of money or financial transactions
- Disclosing confidential and proprietary financial or sensitive information to outside parties
- Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to the School
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.

Reporting and Confidentiality

The Board of Trustees will treat all information received confidentially. Any fraud that is detected or suspected must be reported immediately to the Board of Trustees for further action via email or phone call. The employee or other complainant may remain anonymous. The outcome of an investigation will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Investigation Responsibilities

The Board of Trustees has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The Board of Trustees may utilize whatever internal and/or external resources it considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Board of Trustees will take and document proper action up to and including criminal prosecution.

WHISTLEBLOWER POLICY

The School requires employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees and representatives of the School are expected to practice honesty and integrity in fulfilling their responsibilities and are expected to comply with all applicable laws and regulations.

Reporting Responsibility

It is the responsibility of all employees to report violations or suspected violations of ethics or conduct in accordance with this Whistleblower Policy.

No Retaliation

No employee who in good faith reports a violation or suspected violation shall suffer harassment, retaliation, or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within the School prior to seeking resolution outside the School.

Reporting Violations

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Handling of Reported Violations

The Chief Finance and Operations Officer/Human Resources Service Provider will notify the sender and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated, and appropriate corrective action will be taken if warranted by the investigation.

CODE OF ETHICS

The Board of Trustees recognizes that sound, ethical standards of conduct increase the effectiveness of the School's governing body and staff as educational leaders in the community. Actions based on an ethical code of conduct promote public confidence in the School and the attainment of its goals. The Board also recognizes its obligation under the General Municipal Law to adopt a code of ethics consistent with the provisions of this law, setting forth the standards of conduct required of all Trustees, Officers and employees. Unless otherwise defined herein, terms have the meanings given in the By-laws of the School (the "By-laws").

Therefore, every Trustee, Officer, and employee of the School, whether paid or unpaid, shall adhere to the following code of conduct:

1. Gifts: A Trustee, Officer, or employee shall not directly or indirectly solicit any gifts from the School; nor shall a Trustee, Officer or employee accept or receive any single gift, whether in the form of money, services, loan, travel, entertainment, hospitality, or any other form. Gifts from children that are principally sentimental in nature and of insignificant financial value may be accepted in the spirit in which they are given.
2. Gratuities and Kickbacks: No employee (or anyone under their direct supervision) may solicit, demand, accept, or agree to a gratuity, kickback, or an offer of employment in connection with a business transaction. Such transactions include, but are not limited to, approvals on purchase requests, influencing the content of any procurement standard, auditing, or rendering of advice.
3. Confidential Information: A Trustee, Officer, or employee shall not disclose confidential information acquired by him or her in the course of his or her official duties or use such information to further his or her own personal interest. In addition, he/she shall not disclose information regarding any matters discussed in an executive session of the Board, whether such information is deemed confidential or not.
4. A Trustee, Officer, or employee shall not receive or enter into any agreement, express or implied, for compensation for services to be rendered in relation to any matter before the Board of Trustees, whereby the compensation is to be dependent or contingent upon any action by the School with respect to such matter, provided that this paragraph shall not prohibit the fixing at any time of fees based upon the reasonable value of the services rendered.
5. Disclosure of interest in matters before the Board: Under no circumstance will an employee of the School initiate, participate, or benefit in any way from negotiating a contract or purchase of goods or services in which he/she, a relative, or an associate has financial interest. If an actual or potential conflict of interest is discovered, the employee must immediately withdraw from further participation in the involved transaction and report the transaction to the Board or Board Chairperson.
6. Private employment: A Trustee, Officer, or employee shall not engage in, solicit, negotiate for, or promise to accept private employment when that employment or service creates a conflict with or impairs the proper discharge of his or her official duties.

Distribution of Code of Ethics

A copy of this Code of Ethics is to be distributed annually to every Trustee, Officer, and employee of the School. Each Trustee, Officer, and employee elected or appointed thereafter shall be furnished a copy before entering upon the duties of his or her office or employment.

Reprimands and Penalties

In addition to any penalty contained in any other provision of law, any person who knowingly and intentionally violates any of the provisions of the Board's Code of Ethics may be fined, suspended, or removed from office or employment, as the case may be, in the manner provided by law.

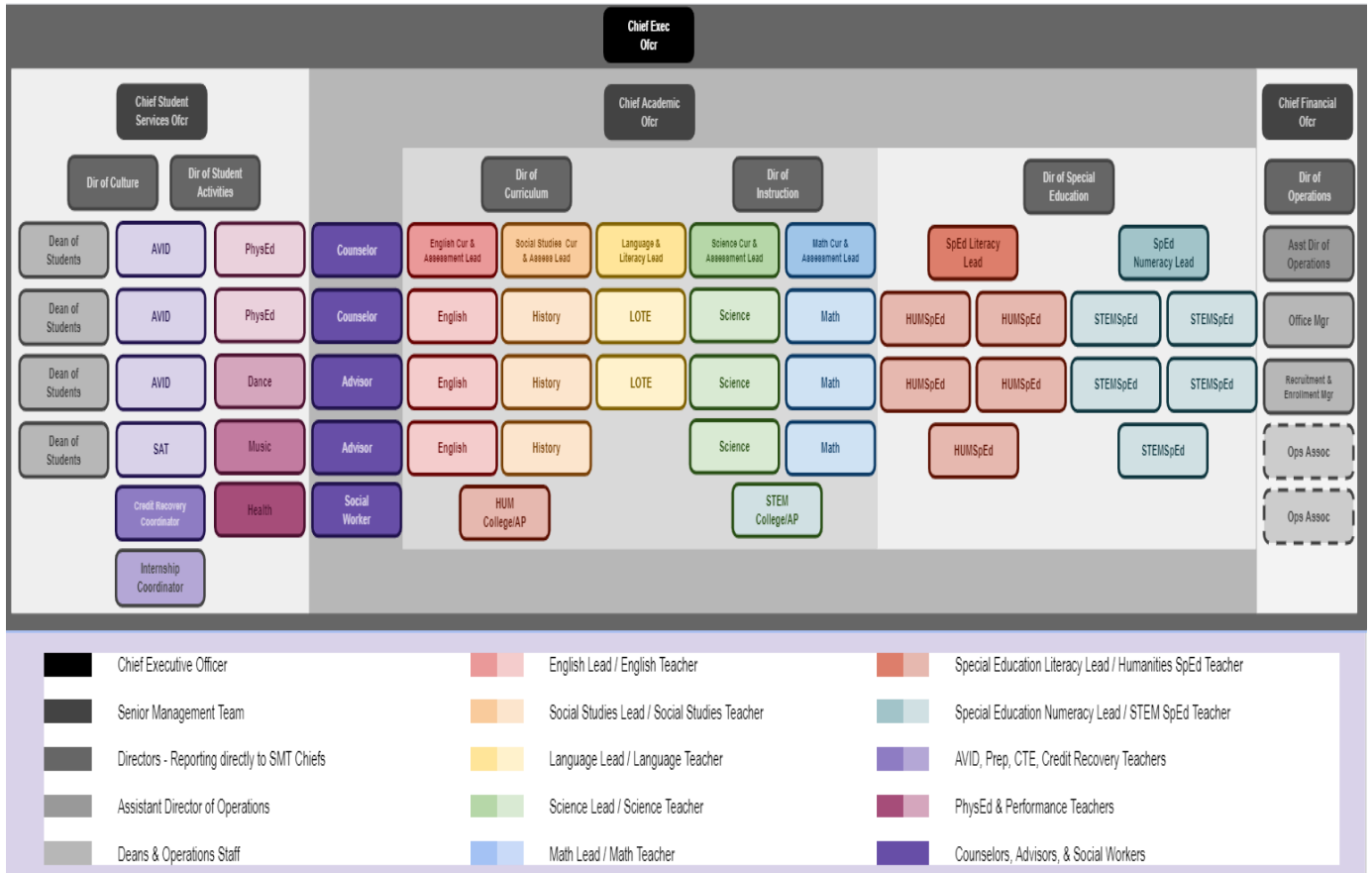
CONFIDENTIALITY

Confidential information includes all information gained during employment or service with the School that is not common knowledge including, but not limited to, student records, personnel records, financial or donation information (including donation lists, donor information, potential donors or business contacts.) All Trustees, Officers, and employees must keep such information confidential.

Information about children, families, and employees should be used in a professional manner, only with those who have a business-related need-to-know and should never be used as a topic of casual conversation or gossip.

Before the end of a term of service or employment with the School, Trustees, Officers, and employees must return to the School all Confidential Information without retaining it in any form. All other documents, data, manuals, security keys, and other items which are the School's property and which may be in the individual's possession or control should also be returned at this time. Any Confidential Information that cannot be returned must be destroyed.

Annex 1: ORGANIZATIONAL CHART



Annex 2: Requirements for Record Retention

Item	Retention Period
Bank Statements & Reconciliations	7 Years
Canceled Checks - (Important Payments - purchases of property, tax payments, large or significant contracts)	Permanent
Canceled Checks - (Ordinary)	7 Years
Cash Books	Permanent
Cash Receipts and Disbursements	7 Years
Construction Documents	Permanent
Contracts and Leases (Current)	Permanent
Contracts and Leases (Expired)	7 Years
Corporate - Articles of Incorporation & By Laws	Permanent
Corporate - Certificate of Incorporation and Related Legal or Government Documents	Permanent
Corporate - Minutes of Board & Committee Meetings, etc.	Permanent
Correspondence (General)	3 Years
Correspondence (Legal / Important)	Permanent
Duplicate Bank Deposit Slips	3 Years
Email	5 Years
Employee Assignments and Garnishments	7 Years
Employee Benefit Plan Documents	7 Years
Employee Payroll Records	7 Years
Employee Payroll Reports (Federal, State or City Gov't)	7 Years
Employee Personnel Records (After Termination)	7 Years
Employee Personnel Records (Current)	Permanent
Employee Retirement & Pension Records	Permanent
Employee Timesheets	7 Years
Employee Workman's Compensation Documents	11 years
Employment Applications (Current Employees)	Permanent
Employment Applications (Other)	1 Year
Finance - Accounts Payable Ledgers and Schedules	7 Years
Finance - Accounts Receivable Ledgers and Schedules	7 Years
Finance - Audit Reports of Independent Accountants	Permanent
Finance - Chart of Accounts	Permanent
Finance - Depreciation Schedules	Permanent

Finance - Expense Analyses & Distribution Schedules	7 Years
Finance - Financial Statements (incl. Trial Balances)	Permanent
Finance - Fixed Asset Records & Appraisals	Permanent
Finance - General Ledgers	Permanent
Finance - Subsidiary Ledgers	Permanent
Finance - Tax Return Worksheets	7 Years
Finance - Tax Returns	Permanent
Finance - Uncollectible Accounts & Write-offs	7 Years
Finance - W-2 / W-4 / 1099 Forms, etc.	7 Years
Grant Inquiries	7 Years
Insurance - Accident Reports and Claims (Current Cases)	Permanent
Insurance - Accident Reports and Claims (Settled Cases)	Permanent
Insurance - Policies (Current)	Permanent
Insurance - Policies (Expired)	Permanent
Inventories	7 Years
Invoices from Vendors	7 Years
Invoices to Customers	7 Years
Notes Receivable Ledgers	7 Years
Paid Bills & Vouchers	7 Years
Patents & Related Papers	Permanent
Physical Inventory Tags	7 Years
Property Appraisals	Permanent
Property Documents - Deeds, Mortgages, etc.	Permanent
Stock and Bond Certificates (Canceled)	7 Years
Stock and Bond Records	Permanent
Vendor Payment Request Forms & Supporting Documents	7 Years
Voucher Registers & Schedules	7 Years