SOUTH CAROLINA ONLINE EDUCATION, INC | LOWCOUNTRY CONNECTIONS ACADEMY | SOUTH CAROLINA BRIDGE CONNECTIONS ACADEMY

Date of adoption: September 17, 2025
Education Management Organization (EMO) as of the date above: Connections Education, LLC d/b/a Pearson Virtual Schools (PVS)

FISCAL CONTROLS POLICY

Purpose

The purpose of this Fiscal Controls Policy is to establish clear financial management practices that ensure the responsible stewardship of organizational resources. These policies are designed to safeguard assets, promote transparency, and maintain compliance with applicable laws, regulations, and funding requirements.

The Board of Directors is committed to upholding sound fiscal governance through oversight, internal controls, and ethical financial conduct. This policy outlines the roles, responsibilities, and procedures necessary to support effective financial decision-making and risk management across all levels of the organization.

Responsibilities and Segregation of Duties

- School Board- The School Board is an independent, non-profit entity that acts as the guardian of public funds received by the School, entrusted with the responsibility of ensuring these resources are used to benefit the School and its students. The Board may delegate one or more of its members with certain responsibilities to ensure compliance with their policies. The Board has responsibility for the oversight over the fiscal agent and the school leader. The fiscal policies herein will ensure proper segregation of duties to ensure that the Board is able to ensure oversight of these entities and the school operations.
- School Leader – The School Leader is responsible for the day-to-day operations of the school and ensuring that staff are compliant with these fiscal policies.
- Fiscal Agent – A fiscal agent is an organization or individual entrusted with managing the financial operations of a non-profit entity on behalf of its board of directors. This role includes overseeing budgeting, accounting, financial reporting, and compliance with regulatory and grant requirements. The fiscal agent ensures that funds are properly received, disbursed, and documented, providing transparency and accountability to stakeholders. By handling financial administration, the fiscal agent

enables the board to focus on strategic planning, governance, and mission-driven activities.

Budget

The Board is responsible for the adoption of and adherence to the annual operating budget.

Working with the fiscal agent, School Leader, Treasurer, and other parties as determined by the Board, the Board will provide oversight to the annual operating budget preparation in the spring prior to the upcoming fiscal year. The fiscal year is defined as the twelve-month period ending June 30. The Board shall plan to review and approve the budget no later than the earlier of June 30 or fourteen (14) working days prior to any deadline specified in the Charter, fiscal agent agreement, or other regulatory mandate. The approved operating budget will be prepared in reasonable detail and in accordance with all state or other applicable requirements. Approved annual operating budgets will be submitted to all appropriate entities required by law in the format required by statute and/or regulation and by required deadlines.

The budget will be based on an anticipated target enrollment as of September 30 of the upcoming school year, which will be agreed upon by the Board prior to the preparation of the budget. The Board will approve staffing ratios and other contractual and operating expenses based on the targeted enrollment. The budget is subject to change during the year based on changes in actual enrollment and unanticipated needs of the school. Staffing or other budgetary changes that are not related to enrollment-based fluctuations will require the approval of the board. Approved budgets will be used to monitor the financial activities of the year via the monthly financial reports. In addition, the fiscal agent, as requested or required, will prepare a concise financial package for the Board as determined necessary.

Fiscal Reports

The following reports will be provided to the Board Treasurer or other Board designee on a monthly basis by the fiscal agent. These will be provided through a secure platform:

- Revenue and Expense Statement for the current fiscal year – showing actual results for year to date and budget or forecast for the remainder of the fiscal year with supporting schedules
- Balance Sheet showing the assets and liabilities of the School.

- Bank Reconciliation – listing all of the deposits and withdrawals for the period under review with descriptive headings
- Passthrough Expense Detail and Support – showing the vendor name, the invoice amount, an electronic copy of all invoices on this schedule, and sufficient detail
- Payroll Registers, if applicable
- Pearson Virtual Schools Invoice and Support – detailing the fees for the month
- Support for Direct Course usage, Substitute Services usage, and Live Services usage, and other supplemental services, as applicable.

Cash Management

The School will maintain its accounts at a federally insured commercial bank or credit union in the State of operation as approved by the Board in compliance with the respective state law. Funds will be deposited in non-speculative accounts including federally insured savings or checking accounts or invested in non-speculative federally backed instruments. Funds should be collateralized as the institution permits.

For all bank accounts, the Board must appoint and approve all individuals authorized to sign checks and coordinate electronic payments in accordance with policies herein. The School will have a minimum of two Board Member signers on each bank account. The Board may approve a School Leader as a signer on the account if the School Leader is employed directly by the Board.

The fiscal agent and other administrative school staff may be granted view-only access to School bank accounts. Bank statements from private banking institutions will be sent directly to the fiscal agent for reconciliation. A bank reconciliation report will be provided to the Board Treasurer on a monthly basis as part of the fiscal reports.

The school will not maintain a petty cash balance.

The School will comply with applicable methods and procedures for payment that minimize the time elapsing between the transfer of funds and disbursement by the Institute, in accordance with the Cash Management Improvement Act at 31 CFR Part 205. Generally, the School receives payment from the South Carolina Department of Education on a reimbursement basis through the Charter Institute at Erskine. 2 CFR § 200.305.

If the School receives an advance in federal grant funds, the School will hold federal advance payments in interest-bearing accounts, unless an allowable exception applies. 2 CFR § 200.305(b)(8). The School will calculate interest earned on cash balances after funds are deposited into the District's account. The School will remit interest earned on the advanced payment annually to the U.S. Department of Health and Human Services (HHS) Payment Management System (PMS) in accordance with 2 C.F.R. § 200.305(b)(9). The School may retain interest amounts up to $500 per year for administrative expenses. 2 CFR § 200.305(b)(9).

Cash Collections

All incoming checks or cash will be verified and entered into a deposit log in accordance with any internal process developed by the school. All checks will be restrictively endorsed promptly. Receipts will be issued to external parties upon request. When checks are taken for deposit, the person taking the checks will sign a separate log with the date and total amount taken for deposit. The deposit log will be provided to the fiscal agent reviewing the bank statements for comparison with the deposit record on the bank statements. All cash and checks will be kept locked in the School office prior to deposit. Deposits should be made as soon as possible on receipt of checks and/or cash and with a target of within three (3) business days of receipt.

Deposits may be made by signatory staff, or non-signatory staff, at a bank branch or via mobile deposit if applicable.

Procurement and Cash Disbursements

The School and its Board are entrusted with the responsibility of managing public funds and are committed to acting in good faith to ensure sound financial operations. The School Leader is authorized to act on behalf of the Board in matters pertaining to the day-to-day financial management of the School.

Any product, service or any other expenditure of School funds must be processed in accordance with the Procurement Code herein. The level of competitive solicitations varies by dollar amount.

Individuals shall not commit any School money before a Purchase Order is issued. Individuals that authorize material or services to be delivered or performed before a Purchase Order is issued, may be held responsible for the paying costs related to the commitment.

- **Objectives**

The School adheres to the following objectives:

- Procurements will be completely impartial based strictly on the merits of supplier and contractor proposals and applicable related considerations such as delivery, quantity, etc.
- Make all purchases in the best interests of the School and its funding sources.
- Obtain quality supplies/services needed for delivery at the time and place required.
- Buy from responsible and dependable sources of supply.
- Obtain maximum value for all expenditures.
- Deal fairly and impartially with all vendors.
- 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.

- **Conflict of Interest**

All School employees and members of the School's Board of Directors are expected to use good judgment, to adhere to high ethical standards, and to act in such a manner as to avoid any actual or potential conflict of interest. A conflict of interest occurs when the personal, professional, or business interests of an employee or Board Member conflict with the interests of the School. Both the fact and the appearance of a conflict of interest should be avoided. See the Board's Conflict of Interest Policy and Procedures.

- **Standards of Conduct**

In accordance with 2 C.F.R. §200.318(c)(1), the School maintains the following standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.

No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.

The officers, employees, and agents of the School may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts, unless the gift is an unsolicited item of nominal value. See the Board's Gift Solicitation and Acceptance policy for definitions of "nominal value" and "anything of value."

- **Organizational Conflicts**

If a school has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the school must include written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization. 2 C.F.R §200.318(c)(2).

- **Mandatory Disclosure**

Upon discovery of any potential conflict, the Institute will disclose in writing the potential conflict to the federal awarding agency in accordance with applicable federal awarding agency policy. The Institute also discloses in writing to the federal awarding agency or pass-through all violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the award. 2 C.F.R. §§ 200. 112- 200.113.

- **Procurement Thresholds**

All purchases shall be made in accordance with State laws and mandated procurement thresholds. The School is required by Section 11-35-70 of the South Carolina Code of Laws to maintain and adhere to a Procurement Code and Regulations. This is because the School is spending public funds.

Purchases must not be split into smaller amounts to avoid procurement thresholds or approval requirements. Related or sequential purchases should be considered together, and if their total exceeds the threshold, they must follow the appropriate review and approval procedures. It is the School Leader's responsibility to ensure purchases are in accordance with the following thresholds.

Prior to the School executing a purchase for goods or services with general funds, the School Leader will evaluate the total expenditure and consult the following procurement thresholds before authorizing any purchase:

Small Purchases (not exceeding $50,000):

- Small purchases not exceeding ten thousand ($10,000) dollars, may be accomplished with quotes if the prices are considered to be reasonable. The School shall include documentation of a good faith effort to secure the lowest possible cost for comparable goods and services, and the School Leader shall not approve purchase orders or check requests lacking such documentation. The School shall annotate the purchase requisition as follows: “Price is fair and reasonable” and sign such purchase requisition. Such purchases shall be distributed equitably among qualified suppliers. The purchase must be approved by the School Leader.
- Small purchases from ten thousand and 1/100 dollars ($10,000.01) to twenty five thousand ($25,000.00) in total value may be accomplished if verbal or written quotes from a minimum of three qualified sources of supply are made and it is documented that the procurement is to the advantage of the School, price and other factors considered, including administrative costs of the purchase. Such documentation shall be attached to the purchase requisition. The School Leader shall not approve purchases orders or check requests lacking such documentation and such documentation shall be maintained for three years. If specialty goods are not available through multiple vendors, documentation may include this information in lieu of a cost comparison. The purchase must be recommended by the School Leader and approved by the Board of Directors.
- Small purchases from twenty five thousand and 1/100 dollars ($25,000.01) to fifty thousand dollars ($50,000.00) must be accomplished with a written Request for Proposal that will be brought to the Board for approval. Upon approval of the Request for Proposal by the Board, the purchase must be documented that the procurement is to the advantage of the School, price and other factors considered, including the administrative costs of the purchase. Such documentation shall be attached to the purchase requisition. The School Leader shall not approve purchases orders or check requests lacking such documentation and such documentation shall be maintained for three years. If specialty goods are not available through multiple vendors, documentation may include this information in lieu of a cost comparison.

- Recommendations for engaging a consultant(s) or purchasing of services or products exceeding the total annual cost of $20,000.01 MUST be brought to the Board for approval. The Board will make the final decision.
- Under no circumstances, shall the Board delegate their responsibilities to third party.

Competitive Sealed Proposal (In Excess of $50,000):

Competitive Sealed Bidding is used to initiate competitive procurement in excess of $50,000. Competitive sealed proposals should be used when both the needs of the School and the costs to satisfy those needs are important, and the methods or items to satisfy those needs are not clear and precise. While price is an important factor, it is considered less significant than fully meeting the School's needs. The ultimate purpose of this method of procurement is to provide flexibility to the School while taking into consideration various options and the costs of each. Proposals shall be solicited through a request for proposals.

Request for Proposal:

The request for proposal shall be the document used to initiate small purchases over $25,000.01 and a competitive sealed proposal procurement and shall include the following:

- Instructions and information to vendors concerning the proposal submission requirements, including the time and date set for receipt of the proposal, the individual to whom the proposal is to be submitted, the address of the office to which proposal is to be delivered, and any other special information
- The purchase description, specifications, delivery and performance schedule, and such inspection and acceptance requirements as are not included in the purchase descriptions
- All contract terms and conditions, including warranty and bonding or other security requirements as applicable
- Instructions to vendors to visibly mark as confidential each part of their proposal which they consider to be proprietary information
- A statement of a vendor’s right to protest

A cost or price analysis will be performed for noncompetitive proposals when the price exceeds $250,000. 2 C.F.R. § 200.324(a). A cost analysis generally means evaluating the separate cost elements that make up the total price, while a price analysis means evaluating the total price, without looking at the individual cost elements. The method and degree of analysis is dependent on the facts surrounding the procurement situation. 2 C.F.R. § 200.323(a).

Public Notice

Public notice of the invitation for proposal shall be given. Such notice may include publication on the School's website. Proposal time will be set to provide the vendors a reasonable time to prepare their proposals. A minimum of seven (7) days shall be provided by the School.

Bid Opening

Proposals over $50,000 shall be publicly opened, but only the names of the offerors disclosed at the proposal opening. Contents of competing proposals shall not be disclosed during the process of opening or negotiation. All proposals shall be recorded at the time of opening and shall be opened for public inspection after contract award. Proprietary or confidential information marked as such in each proposal shall not be disclosed without written consent of the offeror.

Request for Qualifications

Prior to soliciting proposals, and after giving adequate public notice, the School may issue a request for qualifications, experience, and ability to perform the requirements of the contract from prospective offerors. At a minimum, the request shall contain a description of the goods or services to be solicited by the invitation for proposal and the general scope of the work. The request shall also contain the deadline for submission of information and how prospective offerors may apply for consideration.

After the School receives the responses, it will rank prospective offerors from most qualified to least qualified on the basis of the information provided. The School shall then invite vendors from at least the top two prospective offerors.

Negotiations with responsible offerors and revisions to proposals

As provided in the request for proposals, negotiations may be conducted with any offeror submitting a proposal appearing to be eligible for contract award pursuant to the selection criteria set forth in the request for proposals. All apparently eligible offerors shall be afforded the opportunity to submit best and final proposals if negotiations with any other offeror result in a material alteration to the request for proposals and such an alteration has a cost consequence that may alter the order of offerors' price quotations contained in their initial proposals. In conducting negotiations, there shall be no disclosure of information derived from proposals submitted by any competing offerors

Evaluation

The request for proposals shall state the evaluation factors in relative order of importance. Price may not be an initial evaluation factor. Each responsive and responsible offeror's proposal shall be evaluated. The proposal shall then be ranked in accordance with the results of such evaluation.

Award

The award shall be made to the responsible offeror whose proposal is determined in writing to be most advantageous to the School, taking into consideration the evaluation factors set forth in the request for proposals. No other factors or criteria shall be used in the evaluation. The contract file shall contain the basis on which the award is made.

The School will maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Exceptions to the Procurement Code (non-Federal Funds ONLY):

The School may exempt specific supplies or services from this Policy. The following supplies and services are exempted from the Procurement code:

a) Copyrighted Educational Materials to include, but not limited to: Books, dictionaries, textbooks, newspapers, diplomas, sheet music; professional journals, technical pamphlets, periodicals, subscriptions; educational films, filmstrips, slides and transparencies; video tapes, cassettes, DVDs; standardized testing materials
b) Copyrighted Technology Materials to include, but not limited to: Computer-assisted instructional materials, interactive video programs; CD-ROM, documents, databases; District-adopted instructional software,

including site licenses or other support services or related information/materials only available or provided by the software provider

c) Medical and/or Psychological Services to include but not limited to: Licensed/certified medical doctors, physicians, nurses, psychiatrists, psychologists, school psychologists, behaviorists, counselors, optometrists, dentists, veterinarians, etc.; hospital and clinical services, occupational and physical therapy, orientation and mobility; speech, language and audiologist services;
d) Governmental Services to include but not limited to: services and supplies provided by the Federal government, State agencies, county, city or town governments, and special purpose Districts; payments of taxes, social security, annuities, credit unions; school resource officer services; professional artists utilized by SC Arts Commission
e) Educational Services to include, but not limited to: Contractual, cooperative agreements, services and supplies for provision of services to students; tuitions paid to institutions of higher education; evaluation services such as visiting committees of a state or nationally recognized accrediting agencies; Academic performance evaluation and consulting services; executive search and recruitment services
f) Policy, Legal and Financial Services to include but not limited to: Attorney services (subject to Board or Superintendent approval), court recorders, expert witness services; Bond rating services; Legislative consultant; Advertising; Primary and reinsurance coverage; Auditors (subject to Board or Superintendent approval); Substitute Staffing services; Board Governance consultants and facilitators; Securities Underwriters, Financial Advisors, and similar services provided
g) Staff Development to include but not limited to: Professional Services, training provided by consultants, certified teachers / trainers or District personnel; Training materials secured or prepared for instructional purposes; workshop, conference, seminar registrations; travel
h) Student Services to include but not limited to: Pupil Activity Funds; test scoring services; canine drug and/or weapon detection services and related support services; homebound services; home visits; instruction provided by certified teachers
i) Testing Sites, testing security, testing technology, and testing proctors
j) Computer equipment/technology and office furniture
k) Professional dues and membership fees

l) Clergy
m) Travel
n) Other Materials and Services: Utilities and energy expenses to include, but not limited to fuel, propane, electric, telephone, cell phones, water/sewer; art reproductions; emergency repairs for buses and fleet vehicles; items purchases for resale (i.e., school store items, yearbooks); livestock, feed and veterinary supplies; mail and delivery services; purchases and sales between South Carolina public school districts or state agencies
o) Diplomas, Student Instruction Activities/Camps/Seminars, Yearbooks, Graduation Supplies, Class Rings, Fund Raisers and School Pictures
p) Advertisement Services
q) Perishable Foods (milk, fresh fruits, vegetables, meats, eggs, fish – any item with an expiration date)
r) Goods and services provided by the Division of General Services
s) Surplus items that are to be given/donated to other school districts, municipalities and governmental agencies

For purchases of the items listed in a)-s) above - for proposed expenditures in excess of ten thousand ($10,000) dollars, prior to vendor selection, best faith efforts should be made to ensure that the quoted price is consistent with prevalent market rates and reasonable.

Sole Source and Emergency Procurement:

This method of procurement is the least competitive and, therefore, should have limited use. In those instances, however, where the School's needs can only be met by one method, means or item, sole source is an appropriate and necessary method of procurement. Such determination as to whether a procurement shall be made as a sole source shall be made by the School. Such determination and the basis thereof shall be in writing and shall include an explanation as to why no other source will be suitable or acceptable to meet the need.

A contract may be awarded for a supply, service, or construction item without competition when the School determines in writing that there is only one source for the required supply, service, or construction item. The School may make or authorize others to make emergency procurements when there exists a threat to public health, welfare or safety under emergency conditions, or where normal daily operations are affected; provided that such emergency procurements shall be made with such competition as is practicable under the circumstances. If emergency considerations exist after an unsuccessful attempt to use competitive sealed bidding, an emergency procurement may also be made. A written determination shall be made stating the basis for an emergency procurement and for the selection of the particular vendor. Emergency procurements shall be limited to that of supplies, services, or construction items necessary to meet the emergency. Such procurement shall be presented to the Board at its next board meeting.

Purchases made with federal funds shall comply with all applicable federal procurement guidelines.

- **Contract Execution**

All proposed expenditures that necessitate the execution of a contract must undergo review to ensure alignment with the Board-adopted budget (or latest expense forecast adjusted for final enrollments) and compliance with established procurement thresholds. The School Leader shall verify that all contract requirements and supporting documentation have been met prior to execution. If the proposed contract falls outside of or exceeds the budgeted or forecasted amounts for an expense category, approval from the Board is required before the contract may be executed. No goods or services shall be procured under such circumstances without a properly authorized and executed contract in place.

Once all procurement procedures and required documentation have been completed and the expenditure aligns with the Board-adopted budget, and after adhering to the *Pearson Virtual Schools Contract Execution Guidelines*, the School Leader is authorized to proceed with contract execution. This authority is limited to the current fiscal year and does not extend to commitments beyond the approved budget or to multi-year contracts, which require explicit Board approval.

Authorized signers and requisitioners with Contract Signing Authority are responsible for ensuring that:

- Where required, internal review and approval (including approval by the Board of Directors) have been obtained.
- The transaction and its terms are consistent with the School's program objectives and budgetary authorizations, legal requirements, procurement policies, and the terms of restricted funds (if applicable); and
- There is no real or perceived conflict of interest on the part of any individual or organization involved in the transaction or, where a real or perceived conflict of

interest does exist, the issue has been resolved prior to entering into the transaction. Resolution of any real or perceived conflict should be documented in writing and kept on file by the responsible department.

Audit Trail

To create an adequate audit trail, approvals shall be memorialized in a memorandum, e-mail or other document that is maintained with the file concerning the transaction. Such documents should be stored and retained (whether in paper or electronic form) by the School Leader and Fiscal Agent.

Unauthorized Signers and Requisitioners

Individuals who purport to enter into contracts or financial commitments on behalf of the School without authority may be personally liable for such contracts or commitments, whether oral or written. Individuals who enter into unauthorized contracts or commitments may also be subject to disciplinary action.

Provision

All persons designated as having signature authority under this Policy are thereby authorized to execute, acknowledge and deliver to external parties, in the name and on behalf of the School, any and all agreements, documents or other instruments that they determine to be necessary or appropriate to carry out the transactions authorized thereby.

Delegations of Signature

Except as specified in this Policy, the School Leader holds signature and requisition authority with respect to all educational, financial, and administrative matters pertaining to the School and may delegate such authority to other administrators for specified transactions.

All delegations of signature and requisition authority by the School Leader must be in writing. All designees must follow up with the School Leader verbally to prevent fraud and/or scam. Authority delegated to employees under this Policy may also be exercised by higher level employees to whom the designated employees report.

Emergency Delegations

To prevent delays in obtaining approvals when the School Leader is not available for extended periods, the following administrators may designate other administrators to exercise their authority under this Policy during their temporary absence:

- Assistant Principal
- Manager of Counseling Services
- Manager of State Testing

- **Invoice Approval and Processing for Payment**

The School Leader must approve all invoices for payment. In doing so, the School Leader shall review the supporting check request or purchase order documentation accompanying the invoice to validate that procurement thresholds have been properly followed. For any invoice tied to an executed contract, the School Leader must further confirm that the invoice is consistent with the terms of the contract and that all required documentation is complete prior to approval.

For invoices that are not tied to a contract, the School Leader must ensure that each expenditure is thoroughly evaluated to confirm its consistency with the Board-adopted budget or latest forecast. Prior to approval, the School Leader will review all supporting documentation and assess whether the proposed expenditure falls within approved budgetary limits and the appropriate expense category. Should any invoice represent a new expenditure type or result in exceeding the projected total for an expense category, the School Leader shall refer the item to the Board for review and approval before payment is processed. In all cases, payment of invoices not linked to contracts shall only proceed once alignment with budgetary guidelines has been verified and documented. A W9 is to be obtained from the vendor for annual 1099 reporting.

After approval of the invoice for payment, payment may be processed via check or electronic funds transfer.

Checks: With the exception of invoices approved during Board Meetings, or by a Board-authorized designee, all checks over Ten Thousand ($10,000) Dollars must be co-signed by two Board-approved authorized signers who have been approved as signatories on the School's checking account. When two signers is not an option, the single signer should be an authorized party other than the Member tasked with reviewing the bank reconciliation. To ensure segregation of recording and authorization, any signatories may not co-sign check requests or purchase orders.

Electronic Funds Transfers: For any new vendor requesting payment by outgoing transfer from the School's checking account, the vendor and corresponding invoice must be reviewed and approved by the School Leader to validate the authenticity of the vendor and related service or product invoiced to the school.

Once approved by the School Leader, the vendor and electronic funds transfer (EFT) instructions must be reviewed and approved by the School Board Treasurer or Board Chair to validate the accuracy and authenticity of the vendor and EFT instructions prior to the wiring of any outgoing funds.

For any pre-existing vendor receiving outgoing EFTs for invoice payment and requesting a change in EFT instructions (i.e., to a new bank account or banking institution), the new EFT instructions must be verbally confirmed with the vendor by the Treasurer. Once confirmed, the details will be reviewed and approved by both the Treasurer and Board Chair to validate the accuracy and authenticity of the EFT instructions prior to the wiring of any outgoing funds.

No public funds shall be expended for the purchase of alcoholic beverages.

Fixed Assets

A fixed asset is defined as a building, property or equipment acquired by the School (whether purchased, donated, or traded) that is actively used in the operations, must have significant value, and provides benefit for a period exceeding one year. Fixed assets are reported and, with certain exceptions, depreciated in the financial statements.

Items purchased at a cost up to the federal capitalization rate (currently $5,000) will be considered as supplies and expensed in the 400 series object code.

Fixed Asset Classifications

The Fixed Assets will be divided into the following classifications as applicable to the School: *Leasehold Improvements, Furniture and Equipment,* and *Construction in Progress*.

- **LEASEHOLD IMPROVEMENTS** - Improvements made to a rental property in order to customize it for the particular needs of the School and typically occur at the beginning of a lease period. These should be classified as leasehold improvements and should be capitalized. They are recorded at either acquisition cost or appraised fair market value in cases of donated assets. Examples of leasehold improvements include roofing projects, remodeling, and replacing major components within leased space to meet the School's needs. Major maintenance projects should be evaluated periodically to determine if they should be included in this account.
- **FURNITURE AND EQUIPMENT** - Furniture and equipment includes a wide range of assets. A few examples are as follows: furniture, computer equipment, office machinery, etc. The property should be recorded at acquisition cost, including freight, installation and other charges incurred to place the asset into use. If acquired through donation, fair market value should be determined and assigned to the asset. The assets' materiality and significance should be considered when determining how it is reported.
- **CONSTRUCTION IN PROGRESS** - The account should be used when reporting amounts expended on an uncompleted leasehold improvement or other capital construction project. Construction in progress should not be depreciated. Three subclasses, such as building, improvements and equipment, might be used. When the project is complete, the cumulative costs are transferred to another appropriate fixed asset account.

Capitalization Policy

Capitalization is an accounting method used to delay the recognition of expenses by recording the expense as long-term assets. The capitalization of assets acquired by the School shall equal the Federal capitalization rate (currently $5,000). All additions to fixed assets with an individual value greater than or equal to the capitalization rate will be capitalized and depreciated, if applicable. An exception to this is as follows and will be capitalized when applicable to a single location:

- groups/classes of assets where individual asset items are less than the capitalization limit, but when all assets of that group (that function as one asset) are added together the dollar amount far exceeds the capitalization limit (eg. security systems, public address systems, etc.).

Items purchased at a cost up to the federal capitalization rate will be considered as supplies and expensed in the 400 series object code. However, single items costing $1,000 or more and having a life expectancy of at least one year or technology equipment and software, such as laptops, desktops, LCD projectors, IPADs, computers, etc., even though expensed as supplies, will be tracked via an Excel spreadsheet maintained by the School; however, these items are not considered fixed assets and will not be capitalized or depreciated.

- Regular non-technology equipment costing less than $5,000 per unit should be recorded under the 400 series object code.
- Regular non-technology equipment costing $5,000 or more per unit should be recorded under object code 540.
- Any technology equipment costing less than $5,000 per unit including shipping, handling, tax, etc. should be recorded under object code 445.
- Any technology equipment costing $5,000 or more per unit including shipping, handling, tax, etc. should be recorded under object code 545.

Note that the majority of the School's staff and employee technology/software/hardware, such as laptops, desktops, computers, etc. are leased under the terms of the Educational Products and Services Agreement with Pearson Virtual Schools and therefore are not property of the School and as such, are not recorded as inventory. The School will maintain a listing via Excel of leased equipment from Pearson Virtual Schools.

Depreciation

All fixed assets, with the exception land if applicable to the School, will be depreciated. Depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. The decline in the value of fixed assets must be considered if the School's net assets are to be correctly stated. It shall be the policy of the School to depreciate fixed assets in excess of the federal capitalization rate (currently $5,000) over their useful lives. Factors which must be known in order to calculate depreciation: the date the asset was placed in service, the asset's cost, or acquisition value, estimated useful life, and the depreciation method.

The following exhibit summarizes capitalization thresholds and depreciation:

	Tracking & Inventory via Excel Spreadsheet	**Capitalize and Depreciate**
Leasehold Improvements	$1,000	$5,000
Furniture and Equipment	$1,000 or technology equipment and software described under “Capitalization Policy.”	$5,000
Technology leased from PVS	All leased technology	N/A

Date Placed into Service

When acquiring a new asset, the date placed into service will be easily determined. When adding an asset to the School’s records which was already placed into service but omitted from the Fixed Assets Inventory, this date may not be readily available. Inquiring to the appropriate department to assign an estimated date will be sufficient.

Cost or Acquisition Value

Fixed assets should be reported at historical cost and should include the cost of freight, site preparation, architect, and engineering fees, etc. If something other than cash is used to pay for the asset, then the fair market value of the non-cash payment or consideration determines the asset’s cost or acquisition value. If the asset is of significant value (e.g. land or building), an appraisal will be needed to determine its value. In situations where assets are identified that have been omitted from the Fixed Assets Inventory, the historical cost may be researched. If there is no information available on the original cost of the asset, the amount will then be estimated based on the values of similar assets.

Estimated Useful Life

The estimated useful life of an asset is the number of months or years that an asset will be able to be used for the purpose for which it was intended. The following exhibit provides the useful lives of the School’s assets by Equipment Categories.

Description	Estimated Lives
Furniture	7 years
Equipment	3-5 years
Leasehold Improvements	3 years or remaining lease term

Depreciation Method

The straight-line method of depreciation will be used to calculate depreciation on the School's fixed assets. The annual depreciation will be calculated by dividing by the estimated useful life. Under this method, the asset is written off evenly over its useful life (i.e. the depreciation is the same every year). The total amount depreciated can never exceed the asset's historic cost. An asset placed in service at any time during a given month is treated as if it had been placed in service on the first day of that month (depreciation taken for the entire month in which the asset is placed in service). If disposed of before the end of the month, no depreciation is taken for the month of disposition.

Fixed Assets Inventory Procedures

It is the ultimate responsibility of the School Leader to maintain the accuracy of the fixed assets inventory for their school. All stolen items must be reported to the appropriate police agency, and a copy of the police report must be sent to the Institute's Assistant Director of Finance. Donated or purchased used equipment meeting the definition of a capital asset or inventory item must be operational. All fixed assets and items identified in physical inventories that are donated and/or purchased through grants or donations given in the school's name must be reported to the School Leader within 10 days of donation or acquisition.

The School Leader or their designee should complete a physical inventory at the beginning and end of each school year. A copy of these inventories will be due to the Institute's Assistant Director of Finance no later than September 30 and June 30, respectively. Reviewing inventory is a vital part of the fixed asset system. Without proper maintenance and monitoring of the Fixed Asset Inventory, the accuracy of the fixed assets and inventory will deteriorate quickly requiring inventory to be re-created. The School's Fixed Asset Inventory will be maintained in Microsoft Excel.

Disposals, Transfers, And Stolen Assets

Disposals and transfers of unserviceable equipment and fixed assets should only occur after proper authorization by the School Leader. This procedure is to maintain the accuracy of the records, ensure the assets are properly safeguarded and to obtain the best possible terms upon disposal. In many cases, parts from an asset to be disposed of may be salvaged and used with an existing asset or saved for future utilization. Any computer tape, disk (hard drive, CD or floppy), tablets, laptops, servers, or other storage medium used to store the school's and students' data must be totally erased or rendered unreadable before it is disposed. This is the sole responsibility of the School Leader. No asset should be disposed of or transferred without proper authorization by the School Leader.

Surplus supplies, property purchased with state and/or federal funding, and donated items shall be disposed of through competitive sealed bids and public auction. The Charter Institute at Erskine requires that all schools dispose of fixed assets through South Carolina’s State Surplus Property Management Office. If the State Surplus Property Management Office screen the item(s) and finds that the assets are not salvage items, then it is required of the school to auction off the items on www.govdeals.com. In the event some types and classes of items can be sold or disposed of more readily and advantageously by other means, the School may employ such other means including, but not limited to, barter or appraisal.

In regard to disposals, the School Leader is required to complete the Fixed Assets Disposals form and return it to the Institute’s Assistant Director of Finance at the time of disposal. In the case that assets are misplaced or stolen from the school’s property, it is the School Leader’s responsibility to provide written justification to the Charter Institute at Erskine’s Assistant Director of Finance for removal of the inventory out of the Institute’s Masterfile. If item(s) are reported stolen, local authorities should be contacted immediately and a police report should be filed with a copy being attached to the Fixed Assets Disposals form.

If the School Leader decides to transfer item(s) to another school for further use, they will contact the Institute’s Assistant Director of Finance with the item information. The Assistant Director of Finance will send out a mass email to all school leaders with the item information, location, and whom should be contacted if interested. At that time, the school leaders should then work with one another to create arrangements. The school that is transferring the assets should remove the item(s) from their inventory records and the school that will be receiving the items should then add the item(s) to their inventory records.

Liability Insurance

The Board shall ensure that the School retains appropriate insurance in accordance with the respective state law and in the amounts and types necessary to cover insurable risks associated with operations. The Board is responsible for obtaining Board Directors and Officers liability insurance. The Board may contract with the EMO or another party to obtain such insurance policies. Insurance will be kept in force at all times with any minimum limits as outlined in the charter, state law, and professional services agreement between the School and the EMO.

Annual Audit

The Board shall contract for the services of an independent certified public accountant to perform an annual fiscal audit in compliance with State law. The audit shall cover the business of the School during the full fiscal year; be a financial audit conducted in accordance with generally accepted auditing standards; and, include, but not be limited to, (1) an audit of the accuracy of the School's financial statements, including the auditor's opinion regarding the financial statements; (2) an analysis of the School's compliance with applicable laws and regulations; (3) any recommendations for strengthening internal controls practices; (4) any other comments deemed pertinent by the auditor. If the School receives and expends funding from federal sources over the threshold established in the Single Audit Act in a fiscal year, a single audit shall be prepared in accordance with any relevant Office of Management and Budget audit circulars.

The audit(s) shall be completed and submitted to the Board for review at a public meeting as soon as reasonably possible following the close of the fiscal year for which the audit is conducted and as mandated by state, charter or other law. Copies of the Audit will also be forwarded to any entities or public agencies, as required by the respective state's Charter School law, the charter and state regulations.

The Audit engagement firm selection and review process may be conducted by the Board's Audit/Finance Committee on behalf of the Board.

Annual Tax Returns

The Board is responsible for the preparation and submission of the required annual state and federal (Form 990) tax returns for the School, or for ensuring that the requirements for such tax returns are waived. The Board may engage the Auditor or another party to complete the tax returns. The Board (and/or the Audit/Finance Committee of the Board) will annually review its policies and practices to be sure it is complying with any regulations or requirements of the Internal Revenue Service and relevant state authorities as necessary. Prior to submission of the tax returns, the fiscal agent will review the tax returns for accuracy. Following completion of a final draft of the tax returns, the Board will review and approve the returns at a meeting prior to the submission deadline. Appropriate extensions may be filed when needed.

Extensions should be filed if necessary to allow for Board review of the tax returns prior to submission or for the completion of the annual audit.

Record Keeping

Transaction ledgers, invoices, receipts, canceled/duplicate checks, attendance and entitlement records, payroll records, and any other necessary physical or electronic documents that are required to be maintained in accordance with state and federal laws will be maintained by the fiscal agent. The fiscal agent will maintain these records in a manner consistent with state and federal laws and any other applicable regulations, in a secure location for at least seven (7) years as set out in the Records Retention Policy, or longer if required by applicable law or regulation. Appropriate back-up copies of electronic and paper documentation, including financial and attendance accounting data, as necessary, will be regularly prepared and stored in a secure off-site location, separate from the original copies.

Communications

Communications containing confidential, financial information will be sent to the Board via encrypted email or other secure means.

Fundraising & Donations

Fundraising activities are not required to support the regular operations or activities of the School. Should the Board grant approval for a fundraising initiative, all such activities shall be conducted in strict adherence to the procedures delineated herein.

All monies raised through fundraising or received in the form of a donation are considered public funds. Such contributions must be made strictly on a voluntary basis, without coercion. Students at the school shall not be assigned to or be held responsible for collecting any form of contributed funds. Under no circumstances may such funds directly or indirectly compensate any teacher or employee of the school.

School fundraising activities or activities to solicit donations must be approved by the Board and must be supervised by a designee for that purpose. Activities requiring board approval include those that involve the use of the school's name, use of school faculty or employees while being paid by the school or the use of school property and resources.

Funds collected as a donation or through fundraising efforts must be deposited in an account under the direct control of the school and must be expended in a manner consistent with donor restrictions or the fundraising purpose. The collection of donated monies must comply with the school's cash collections policy herein and third party payment processor policy. Expenditures of funds related to fundraising activities must comply with the School's spending policies.

Compliance with State Regulatory Guidance

All board policies are subordinate to applicable state laws. In the event of any conflict between board policy and state law, state law shall prevail. The board will update its policies as needed to ensure ongoing compliance with all relevant statutes and regulations.

Financial Management Standards

The School's financial management system meets the following requirements under 2 C.F.R. § 200.302:

- ***Identification:*** The School identifies, in its accounts, all federal/state awards received and expended and the programs under which they were received. This information includes, as applicable, the Assistance Listings (formerly referred to as the CFDA) title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity.
- ***Financial Reporting:*** The School maintains accurate, current, and complete disclosure of the financial results of each federal award or programs must be made in accordance with applicable financial reporting requirements.

- ***Accounting Records***: The School maintains records which adequately identify the source and application of funds provided for federally-assisted activities. These records contain information pertaining to grant or subgrant awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- ***Internal Controls:*** "Internal controls" are tools to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:
    - Effectiveness and efficiency of operations;
    - Adequate safeguarding of property;
    - Assurance property and money is spent in accordance with grant program and to further the Selected objectives; and
    - Compliance with applicable laws and regulations.

  The School maintains effective control and accountability for all funds, real and personal property, and other assets. The School adequately safeguards all such property and assures that it is used solely for authorized purposes. See Fixed Assets Procedures discussed above. In addition, the School ensures proper segregation of duties, also documented above.
- ***Budget Control:*** The School ensures actual expenditures or outlays are compared with budgeted amounts and budget amendments are completed as required.
- ***Cash Management:*** The School maintains written procedures to implement the cash management requirements.
- ***Allowable Costs:*** The School maintains written procedures for determining allowability of costs.

Related Documents:

Records Retention Policy
Board Designee Policy
Check Request Form
Purchase Order Form
Conflict of Interest Policy
School Purchasing Policy
School Travel & Expense Policy
Pearson Virtual Schools Contract Execution Guidelines
Procurement with Federal Funds Grants Policy

Fixed Asset Disposals Form