KHALSA MONTESSORI ELEMENTARY SCHOOL

II. SUSTAINABILITY

A. Organization's Fiscal Viability

PART 1: PROJECTED BUDGET

Khalsa Montessori Elementary School (KMES) does not anticipate any major changes to its size and budgets over the next several years. KMES, from its inception, was dedicated to slow conscious growth with a clear overall campus size limit. Multi-aged classrooms were developed one grade level at a time to assure the careful development of quality Montessori programs. The overall size of the school was limited by the school administration and the KMES Board of Directors to maintain the close relationship between teachers, students and administration in the school community. The KMES Board decision to discontinue the KMES Middle School was made out of the decision to not increase the KMES elementary student count that was necessary to support a middle school large enough to serve student needs. KMES plans to continue with only limited changes to its current size.

For the 2010-11 budget, there has been a rise in mortgage payments and a corresponding increase in rental income that has resulted from the projected KMES purchase of a property (346 East Coronado Rd) currently rented by the Khalsa Montessori Primary School (KMPS) for pre-K and KMES kindergarten programs. KMES contracts its kindergarten educational programs to KMPS. This purchase will secure the ability of KMES to serve kindergarten students into the future and will be available for possible future KMES expansion. For the next three years, and in to the future, KMES will receive rental income from the KMPS for use of this property.

The substantial difference in Federal Funds/Grants between the 2009-10 totals and future and past years is the result of the ARRA funds received in lieu of state monthly equalization funds. Overall income differences are the result of decreases in state funding. The totals under Furniture and other Equipment for 2008-09 reflects depreciation expenses and not normal yearly expenditures.

KMES has carefully budgeted its income and expenses over the last 14 years and has built up a Contingency Fund of approximately $150,000. These funds are in addition to approximately $100,000 in available operating funds. The Contingency Funds currently secure the school's ability to operate at its current program level in the next several years even if additional Arizona State educational budget cuts create yearly deficits for the KMES budget. The funds also have been built for eventual use as a down payment for

adjacent properties to the school building if they were to become available for future school expansion.

PART 2: FINANCIAL STRUCTURES AND SYSTEMS

All KMES budgets and financial planning is done by the KMES Financial team of financial experts overseen by the KMES Director and KMES Board of Directors. KMES has hired an outside Financial Consultant who is an accountant with decades of educational institution audit and financial consulting expertise including 15 years advising Arizona charter schools. KMES has also hired an outside bookkeeper for state reporting who has over a decade of Arizona charter schools reporting and bookkeeping experience.

Financial operational procedures are designed to require direct daily oversight by the KMES School Director and final review by the KMES Board of Directors. These financial procedures have resulted yearly conclusions in the KMES annual financial audits that "We [auditor firm] did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses...The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*." (Larson Allen LLP, KMES 2008-09 Financial Audit, pages 12-13). KMES applied for and received exemption from the USFRCS in 2001.

As indicated previously, the KMES administration team has carefully budgeted over the past 14 years resulting in contingency funds being grown to assure viability through any unexpected circumstance including decreases in state funding.

The following financial procedures are in place at KMES to assure financial accountability and viability.

KHALSA MONTESSORI SCHOOL
FINANCIAL PROCEDURE: EXPENDITURE CYCLE

A. BUDGETS /PURCHASE ORDERS

1. In April through June before the beginning of the fiscal year, School Director, other KMES Administrative Staff members (may include Assistant Director, Administrative Assistant, and/or KMES Bookkeeper), Contracted Bookkeeper, and Financial Consultant develop budgets for all school accounts.

2. KMES Bookkeeper will take budget totals and create **Purchase Order Requisitions** for open accounts that correlate to specific vendors and create sub-accounts for teacher budgets (field trips/supplies/materials) in which the vendors will vary.

3. Director will review and approve all open **Purchase Order Requisitions**.

4. For any future invoice that does not have an existing open **Purchase Order Requisition**, a requisition will be created for any purchase over $1000. Any similar purchase under $1000 requires School Director's signature approval on the invoice.

5. Any expenditure over $25,000 will be brought to the KMES Board of Directors for approval of method of bidding (i.e. sealed) and approval of final expenditure.

6. The KMES Board of Directors authorizes the School Director to make emergency approvals of expenditures over $25,000 that are necessary for the wellbeing of the school programs. When an emergency expenditure is made, each board member will be informed as soon as possible and the expenditure will be brought for Board of Directors Approval at the next meeting.

B. TEACHER/STAFF PAYMENT REQUESTS

1. Teachers and staff submit **Teacher Reimbursement /Check Request Form** invoices for payment and receipts for reimbursement to KMES Bookkeeper. Indicate account (i.e. materials, supplies, field trips, art supplies).

2. Teachers will review teacher budget balances monthly and are responsible for not exceeding budgets.

3. If budget balance needs to be exceeded, teacher must submit a **Purchase Order Requisition** for any increase in budget amount to the School Director for approval.

C. PAYMENT PROCEDURE

1. KMES Bookkeeper submits invoice/receipt detail on **Requisition – Unpaid Bills Form** to Director for approval.

2. Director checks and signs **Requisition – Unpaid Bills Form** indicating approval of expenditure and account coding.

3. If a time constraint does not allow the KMES Bookkeeper to create a **Requisition – Unpaid Bills** for an individual payment that requires immediate payment, KMES Bookkeeper may submit an invoice to the Director for his signature approval on the invoice.

4. KMES Bookkeeper may also receive verbal approval from the Director for a payment under $300 if the Director is not available to sign invoice. KMES Bookkeeper will list date and time approval was received on the invoice. Director will sign invoice with his approval when he is available.

5. Once payments on a **Requisition – Unpaid Bills Form** are approved, KMES Bookkeeper produces check, submits **Check Listing** to Director**.**

6. Director approves **Check Listing**.

7. Director signs, or KMES Bookkeeper signature stamps, checks and sends payment to vendor or staff member. Signature stamp is kept in secure location separate from secured checkbook.

8. Director, Financial Advisor and KMES Board of Directors review budget balances on a monthly basis and make note of which budgets need to be monitored or adjusted.

9. If account balance needs to be adjusted, KMES Bookkeeper submits a new **Purchase Order Requisition** to Director for approval. If approved, Director signs new Purchase Order Requisition to increase budget amount. If not approved, Director or KMES Bookkeeper communicates with staff/teachers of non-approval.

D. RECEIVING RECEIPT

1. If purchase is for materials/supplies to be delivered, staff/teachers will sign **Receiving Receipt** indicating date received and that the materials/supplies indicated on the invoice were received in good order. Staff/teachers will submit the **Receiving Receipt** to KMES Bookkeeper to be filed.

E. KMES BOARD APPROVAL

1. The KMS Board of Directors approves all KMES disbursement. The Board has delegated the School Director to approve disbursements (and set limits for such approval) between board meetings. However, the board reviews and approves a financial report of **Profit and Loss Budget vs. Actual** as well as account **Cash Balances** and **KMES Balance Sheet** at each monthly meeting.

2. Governing Board approves all payments by signing **Vouchers** at monthly meetings. Board reviews **Check Listing and Voucher Supplements** and signs a one-page

signature page indicating approval. Board reviews and separately approves **Payroll Summaries** for each payroll period since the previous board meeting and signs a one-page payroll voucher signature page indicating approval.

KHALSA MONTESSORI SCHOOL
FINANCIAL PROCEDURE: CASH RECEIPTS

Cash Receipting: Money Collection

All monies collected will be accounted for through a system of receipts during specific times of the school year.

Monies collected include, but are not limited to:

- Tax Credit Items – Activity Fund fees, extracurricular activity fees, field trip fees
- Gifts and Donations – Annual Tax Credit Donations, individual gifts
- General fees – AM Care fees

Money collection generally occurs at specific time periods during the school year unless an extemporaneous agreement exists between a Payee and the Payor.

- Money is collected during Enrollment.
    - Enrollment generally occurs in the Spring prior to the beginning of the new school year.
- Money is collected during Registration.
    - Registration generally occurs in late-summer prior to the beginning of the new school year.
- Money is collected during the Tax Credit Donation Drive.
    - The Tax Donation Drive occurs at the end of each calendar year.
- Money is collected during sign-up for second-semester extracurricular classes.
    - Sign-up for second-semester extracurricular classes generally occur in December, prior to the start of classes.
- Extemporaneous agreements are granted by the School Director or through an appointed member of the administrative team.
    - Agreements are granted for special circumstances, including but not limited to: financial hardships and unexpected student attendance in the AM Care program.

Monies are collected and accounted for through a specific process during each of the collection periods.

Information packets, including all necessary forms, are sent to the parents/donors of all current students.

- Information Packets generally consist of:
    - Letter of explanation and directions for parents/donors.
    - Information forms that do not require receipts, such as applications, medical forms, etc.

    - Information forms that do require receipts, such as Activity Fee forms, Field Trip Fee forms, etc.
    - A request for updated contact information, if applicable.
- Once Enrollment Packets are completed, the packet is returned to the School Secretary in the front office.
    - All materials are date-stamped.
    - All materials are initialed by the School Secretary.
    - Any checks received are stapled to the corresponding form; cash is concealed in an envelope, labeled with the childís name and the amount of payment, and then attached to the corresponding form.
    - On forms requiring payments, the School Secretary will also list the amount the parent paid, the method of payment, and the date payment was received.
    - The School Secretary files a copy of the application in each studentís file.
- After the School Secretary completes the initial procedures, the Information Packets are then delivered to the Administrative Office for processing.
    - The Administrative Assistant and/or the Accounts Receivable Clerk* then separates the individual forms.
        - Applications are filed in an application binder.
        - Forms requiring payments are processed and then filed in the appropriately labeled binder.
            - Payments received are recorded in the current Student Data Management System (SDMS) by the Administrative Assistant, including the amount of payment, the method of payment, and, if applicable, the check number.
                - The current SDMS is School Master.
            - Using the SDMS, the Administrative Assistant creates a receipt for each parent making payments to the school.
                - The receipts are mailed to each parent.
            - Payments received are then recorded in the current accounting software application by the Accounts Receivable Clerk.
                - The current accounting software is Quickbooks.
            - Once the payments are recorded in the accounting software, a Deposit Detail is printed and the checks are prepared for deposit by the Accounts Receivable Clerk.
                - Photocopies of all payments are produced and attached to the Deposit Detail.
                - Deposit Slips are written in the Deposit Record Book.
                - The Deposit Record Book is preprinted with the schoolís address and banking account information.
                - The Deposit Record Book is in triplicate form.
                - Deposit Slips are separated.

        - The top, white copy is sent to the bank with all monies.
        - The middle, pink copy is stapled to the Deposit Detail and photocopies of the payments. These are filed in the Charter Financial files for the current school year.
        - The bottom, yellow copy remains in the Deposit Record Book.
    - The Deposit Slip and monies are sent/taken to the bank for deposit.
    - A Deposit Receipt is returned to Khalsa
        - The Deposit Receipt is then attached to the Deposit Detail, photocopied payments, and pink copy of the Deposit Slip, and filed in the Charter Financial files once again.

* Due to the small size of the school, one or more roles may be completed by the same person.

KHALSA MONTESSORI SCHOOL
Financial Procedure: Credit Card

School credit card will be used for purchases that require credit cards only.

All use of the credit card must be approved by the Director prior to making any purchases.

- The Director's signature on the invoice or purchase order will serve as the indication of approval.

All receipts of purchase will be submitted to the business office upon expenditure.

In the event that a purchase needs to be made and the Director is not present, Director may verbally approve the use of the credit card and sign the invoice or purchase order upon his return. Card may not be used without Director's verbal approval.

Each month, the credit card balance will be paid in full. No balance may be carried forward.

The credit card will have a spending limit of five thousand dollars ($5,000).

Only the Director, Assistant Director, and Administrative Assistant will have access to the credit card.

Use of the credit card for personal items is prohibited.

No cash advances allowed.

KHALSA MONTESSORI SCHOOL
Financial Procedure: Payroll

Payroll Procedures: Prior To Each School Year

Khalsa Montessori School agreements regarding employee compensation, personal leave days, health insurance deductions, and paid vacation time are made prior to the start of each school year with yearly Employee Contract KMES Employee Compensation Forms.

Agreements regarding additional compensation areas such as tutoring, extracurricular classes and clubs, and teacher mentoring are made between the employee and the School Director and/or the Student Study Team, in relationship to each program or activity.

Prior to the beginning of each school year, the School Director or other designated member of the administrative team provides the Payroll Processing Company the necessary payroll information.

- Currently, the Payroll Processing Company is ADP.
- Payroll information includes, but is not limited to:
    - Per payroll or Hourly compensation rates
    - Yearly personal leave day totals, if applicable
    - Employee payroll deductions, if applicable
    - Employee address and withholding changes

Payroll Procedures: Each Payroll Cycle

Blank KMES Time Sheets are available in the front office.

KMES payroll is processed every two weeks with Employee Time Sheets due every other Friday by the end of the school day.

- Due Dates and Times for the Employee Time Sheets are listed on the monthly KMES Staff Calendar.

KMES employees submit their completed Employee Time Sheets to the School Secretary on the dates they are due.

- School Secretary alphabetizes and faxes a copy of each Employee Time Sheet to the School Director or other designated member of the administrative team.
- School Secretary then files the original Employee Time Sheets in each employees Time Sheet file in the front office.

In advance of planned absence times, employees submit the KMES Employee Absence/Personal Leave Day Request form to the School Director. School Director reviews and approves or disapproves the request.

School Secretary informs the School Director daily of any employee absences and/or substitutes.

On the Monday or Tuesday following the conclusion of each Payroll Cycle, the School Director reviews each of the Employee Time Sheets.

- School Director reviews: hours, days, and categories of compensation, for all employees.
- Categories of compensation include, but are not limited to:
    - Regular Hours – Regularly scheduled hours an employee receives compensation for as outlined in each individual's KMS Employee Compensation Form.
    - Personal Leave Hours – Hours employees are not in attendance, for personal reasons, but will be compensated, as outlined in each individual's KMES Employee Compensation Form.
    - Vacation/Holiday Hours – Hours employees are not in attendance, due to a scheduled vacation, but will be compensated, as outlined in each individual's KMES Employee Compensation Form.
    - Unpaid Absence Hours – Hours employees are not in attendance and will not be compensated.
    - Tutoring, mentoring, extra curricular classes, or other agreed upon task hours – Hours employees spend doing tasks outside of yearly contracted role and will receive compensation.
        - Employees' tasks and reimbursement are agreed upon in advance with the School Director, other designated member of the administrative team, or the Student Study Team.
    - Overtime/Other Hours – Hours employees are in attendance and will be compensated.
        - Employees must prearrange overtime/other hours compensation with the School Director or other designated member of the administrative team.
    - Acting Head Teacher Hours – Hours an Assistant Teacher performs the duties of a Head Teacher, in the Head Teacher's absence and will be compensated at a higher rate of pay.

On the Monday or Tuesday following the conclusion of each Payroll Cycle, the School Director or other designated member of the administrative team transcribes information from Employee Time Sheets on to the ADP Payroll Worksheet.

Once the ADP Payroll Worksheet is completed, the School Director or other designated member of the administrative team calls ADP (prior to 4:00m on Tuesday) and verbally communicates all payroll information.

- Once the payroll information is conveyed, the School Director and the ADP Representative cross check the totals for accuracy.

The School Director or other designated member of the administrative team then files the ADP Payroll Worksheet and Employee Time Sheets by payroll in the administration office.

ADP sends Payroll Checks and accompanying payroll records within 24 hours.

- School Secretary distributes Payroll Checks to employees upon receipt.
- School Director reviews accompanying payroll records to ensure accuracy.
- KMES School Board reviews and approves all payroll vouchers at its monthly meetings.

Payroll Procedures: Questions

Any employee questions that arise regarding Payroll are directed to the School Director or designated member of the administrative team who communicates with the payroll company if necessary.

KMES FUND RAISING AND PHILANTHROPIC SUPPORT FROM THE COMMUNITY

The KMS PTO, a non-profit 501-(c)-3 Arizona Corporation that is separate from KMES, raises money for the educational programs of KMES. Funds raised from a variety of annual and ongoing fundraisers including the KMS Spring Carnival, escrip, and restaurant fundraiser are divided among the KMS classrooms for the use of the teachers for classroom materials, teacher development, and campus improvements. Financial policies including procedures and safeguards are available on request.

The PTO may also promote community philanthropic support from the community both in terms of funds and discounts on services. This is done yearly in support of the Spring Carnival and the annual Parent Teacher Community Mixer, and has also been done in support of school projects like the development of playgrounds and garden areas.

KMES does not include PTO fundraising dollars in its budget planning. These funds are considered extra funds available for classrooms but not essential for classroom operations. A KMES administration member attends all KMS PTO meetings and monthly reviews the KMS PTO treasurers report.

KMES does promote public school activity fund state tax credit donations. These funds are utilized for a variety of special student activities including field trips, physical education and yoga. Funds are utilized to offer discounts to student activity fees for lower income families.