

HUAXIA CHINESE SCHOOL AT GREAT VALLEY

FINANCIAL REGULATIONS

1ST VERSION

APPROVED BY THE BOARD OF TRUSTEES

EFFECTIVE DATE: AUGUST 31, 2012

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1. Purposes

- 1.1. Under the *Huaxia Chinese School At Great Valley Bylaw* (the “Bylaw”), the *Huaxia Chinese School At Great Valley Financial Regulations* (the “Regulations”) are set forth to establish general rules, control policies, administrative procedures, and accountabilities of financial matters of the Huaxia Chinese School At Great Valley (the “School”).

2. General Rules

- 2.1. The School’s funds and other assets shall only and all be used to serve and benefit the School under the objectives defined in Article 2 of the Bylaw.
- 2.2. The School management’s decisions on financial matters shall be made in the best interests of the School as a whole.
- 2.3. Services rendered by members to the School should be generally on a voluntary basis.
- 2.4. The School’s financial operation shall be transparent to its members.
- 2.5. The Principal has the full responsibility to manage the School’s financial activities in accordance with the Bylaw and the Regulations.
- 2.6. The Principal is responsible to implement control policies and administrative procedures provided in the Regulations.
- 2.7. The Board of Trustees shall approve plans and actions on the School’s major and important financial matters.
- 2.8. The Board of Trustees has the responsibility to enforce and attest the compliance of the Regulations.
- 2.9. The Board of Trustees may make decisions on financial matters that are not explicitly covered by the Regulations.
- 2.10. Functions of authorization and spending, and function of record-keeping shall be segregated from each other. No overlapping of these functions is allowed in job assignment within the School Administration.

3. Funding

- 3.1. Sources of funding to the School’s operation include, but not limited to, tuition, membership dues, donations, surplus from the School’s or its Parent Committee’s auxiliary activities, and any money raised through the School fund raising activities.
- 3.2. Tuition rates shall be determined on a cost recovery basis. Change of tuition rates shall be proposed by the School Administration and approved by the Board of Trustees.
- 3.3. The School accepts donations or private grants that are not conditioned by any political, religious, or other requirements that are contradictory to the School’s general objectives.
- 3.4. Parent Committee activities include, but not limited to, those cultural, social, and non-curriculum activities organized, conducted, or participated by the School or separately conducted by the Parent Committee.

4. Funds

- 4.1. All funding shall be categorized as Current Fund, Reserve Fund, Parent Committee Fund, and Restricted Fund.
- 4.2. **Current Fund**

- 4.2.1. Current Fund is the amount of funding appropriated for the budgeted expenditures of current year school operation, Parent Committee activities, and other expenditures under Restricted Fund approved by the Board of Trustees.
- 4.2.2. Sources of the Current Fund include
 - 4.2.2.1. All tuition and dues collected for the current year (or semester) and the amount of funding from Emergency Fund if needed for current year (or semester) school operation
 - 4.2.2.2. Funding appropriated from Parent Committee Fund for current year Parent Committee activities
 - 4.2.2.3. Funding appropriated from Restricted Fund for expenditures proposed by the Principal and approved by the Board of Trustees for current year special expenditures.
 - 4.2.2.4. Donation or grants received and approved by the Board of Trustees for current year (semester) spending.
 - 4.2.2.5. Interest income generated from bank deposits approved by the Board of Trustees for current year (or semester) spending.
- 4.2.3. Budgeted spending of Parent Committee Fund, Reserve Fund, and Restricted Fund shall be appropriated and transferred to Current Fund before expending.

4.3. Reserve Fund

- 4.3.1. Reserve Fund is established to supplement insufficient tuition and dues funding to the School operation and any special non-budgeted spending approved by the Board of Trustees.
- 4.3.2. Reserve Fund is funded every academic year from Current Fund. The Reserve Fund can be up to \$70,000.00.
- 4.3.3. Spending and Appropriation of Reserve Fund shall be proposed by the Principal and approved by the Board of Trustees.
- 4.3.4. The Reserve Fund is allowed in no case to be used for any commercial or business investment.
- 4.3.5. The Reserve Fund shall be saved in bank deposits with least financial risk.

4.4. Parent Committee Fund

- 4.4.1. Parent Committee Fund includes surplus or residual money of the fund pooled (other than the amount of fund appropriated from the existing school Funds) for special school events or Parent Committee activities.
- 4.4.2. Parent Committee Fund is established to subsidize the Parent Committee's activities.
- 4.4.3. The Chair of the Parent Committee is responsible for budgeting and managing the spending of the Parent Committee.
- 4.4.4. Any income from the Parent Committee's activities should be recorded and reported to Accountant.
- 4.4.5. Appropriation Parent Committee Fund should be reported to the Board of Trustees.

4.5. Restricted Fund

- 4.5.1. Restricted Fund includes donations and grants for activities, project, assets expenditure specified by donors or grantors.

- 4.5.2. Spending of the Restricted Fund shall be in conforming to the donor's request.
- 4.5.3. Disbursement of the Restricted Fund shall be directed by special resolutions of the Board of Trustees.

4.6. Transfer between Funds

- 4.6.1. Unless otherwise specified by the Regulations, Funds and fund surplus within each category can not be diverted into a different category without approval from the Board of Trustees.

5. Budget

- 5.1 Budget proposal, approval, rejection, and revision shall be conducted under the guidance of Article 10 of the Bylaw.
- 5.2 Budgeting and Tuition collection may be conducted under a semi-annual basis if deemed appropriate and necessary by the Principal.
- 5.3. Budget should include estimated tuition and dues income, proposed appropriation of other Funds for the current year (or semester); projected payroll and stipend expenses, rental and facility expenses, Parent Committee activity expenses, proposed equipment purchases, estimated other administrative expenditures, and estimated curriculum and non-curriculum activity expenditures.
- 5.4. Wage rates and fixed stipend shall be reviewed and adjusted periodically by the Principal.
- 5.5. 5% of the tuition and dues collected for current academic year should be set aside for each academic year to the Reserve Fund for unexpected fluctuation of expenditures. This action will stop when the total amount of the Reserve fund can cover all expenditures for one school year.
- 5.6. Total expenditures, including the flexible reserve, shall not exceed the total amount of funds available for the budget period.
- 5.7. Explanation and justification shall be presented in the budget with any proposed equipment or assets purchase.
- 5.8. Explanation and justification shall be presented in the budget with any significant increase of pay rates.
- 5.9. The Principal should consult with the Chair of Parent Committee in determining the budgeted spending for Parent Committee activities.
- 5.10. The Principal may amend the budget during the budget period if the surrounding circumstance or any operating factors have been changed significantly beyond the control of the School Administration.
 - 5.10.1. Procedures for amending budget shall generally follow the regular budgeting procedures.

6. Income and receipts

- 6.1. All tuition and other fees are due at the time of registration.
 - 6.1.1. Delinquency or default in payment may cause suspension or termination of membership.
- 6.2. Tuition shall be collected only by the Principal or the school officer designated as Registration VP.
- 6.3. Total tuition and fee income shall be reconciled to the total students admitted for the year or the semester.

- 6.4. Collected tuition checks shall be forwarded to the Accountant for bank deposit within one month during the school year.
- 6.5. Registration Payment slip shall be attached to the checks forwarded to the Accountant for deposit.
- 6.6. Total tuition collected and Tuition refunded shall be reconciled between Accountant and Registration VP.
- 6.7. Subsections 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, and 6.7 also apply to collection of other fees or deposits.
- 6.8. Any contributions or donations to the School shall be recorded in the book and deposited before its disbursement.
- 6.9. The School shall provide valid receipt or acknowledge letter to donors or grantors upon request.
- 6.10. Tuition refund shall be approved by the Principal.
 - 6.10.1. In case the student applying for refund is a family member or relatives of the Principal, the review and approval procedures shall be conducted by a vice-Principal.
 - 6.10.2. The undeliverable refund checks or unclaimed refund checks shall be considered stale and are voided after six (6) months. It can be reclaimed and reissued within one year of the original issue date.
- 6.11. A written explanation and Tuition refund list shall be provided by Accountant for the Principal's approval.
- 6.12. Net surplus from Parent Committee activities should be submitted to Accountant for bank deposit and bookkeeping at the end of each event.

7. Disbursements

- 7.1. The Principal has the overall responsibility and authority
 - i) to execute the budget,
 - ii) to authorize spending, and
 - iii) to ensure that spending is within the budget.
- 7.2. The Principal may approve non-budgeted expenses during the semester for a total amount no more than \$500, or otherwise approved by the Board of Trustees, provided that
 - i) such purchases can be covered by the funds available for the current budget period, and
 - ii) such purchases are justified by reasonable school operation needs.
- 7.3. Payroll expenses shall not exceed the budgeted amount without approval of the Board of Trustees.
- 7.4. The Chair of Parent Committee has the full responsibility to control expenditures of parent activities within the scope of appropriated fund under the budget.
- 7.5. Authorization of disbursement and reimbursement procedures
 - 7.5.1. All non-routine disbursement shall be pre-approved by the Principal, Vice Principal.
 - 7.5.1.1. Non-routine disbursements are expenses other than routine disbursements that include pre-determined stipend to school administrative personnel, wages to teachers, rents for school facilities, and other fixed, determinable and periodical payments for the school ordinary operation.

- 7.5.2. It is the approving person's (the Principal, the Vice principal, the Chair of Parent Committee) responsibility to check the availability of the fund before they approve purchases or disbursement.
- 7.5.3. Non-routine disbursement should be generally handled on a reimbursement basis.
- 7.5.4. The Accountant shall not issue a reimbursement check unless the reimbursement voucher is completed as follows:
 - i) the purposes of the disbursement is provided;
 - ii) the applicant's name is indicated in the voucher;
 - iii) reimbursement application is reviewed and signed by related managing personnel (e.g. Chair of Parent Committee for parent activity expenses, Principals for School staff, officer's expenses, and teaching expenditures).
 - iv) original receipt is attached, otherwise, written explanation should be provided;
 - v) the applicant signs the voucher when he or she receives the check;
 - vi) the reimbursement check number is posted on the voucher.
- 7.5.5. The Accountant shall review and sign off the voucher before issuing the reimbursement check.
- 7.5.6. The Accountant may reject an approved reimbursement application based upon his/her judgment of appropriateness of the disbursement. After the rejection, the Accountant should return the voucher to the approving person for reconsideration. If the Accountant and the approving person can not resolve the issue, either one of them can bring the issue to the Board of Trustees for final decision.
- 7.6. Teacher attendance sheets should be maintained by Deans as an evidential document for payroll purposes.
- 7.7. The attendance sheet should be approved by the Principal or his/her designee.
- 7.8. The Accountant should not issue payroll checks without an approved attendance sheet.
- 7.9. The Principal has full discretion to determine bonus or award payment to teachers and administrative staff provided that the total amount of such payments for the semester (or the year) is within the budget.
- 7.10. Awards or bonus to school officers (principal, vice-principal, and Chair of Parent Committee) shall be determined by the Board of Trustees.

8. Banking and checking

- 8.1. Unless otherwise the Board of Trustees decides to conform to the rules of Huaxia Chinese Schools (the headquarters), two bank accounts shall be maintained for the School, a checking account and a savings account (e.g. money market account).
- 8.2. The maximum balance of the checking account should be no more than 150% of estimated monthly disbursement; other balance should be kept in the savings account.
- 8.3. Monthly bank statement reconciliation shall be completed before the bank's deadline for notification of fraudulence and discrepancy.
- 8.4. The Principal, the Vice Principal shall register their signatures with the bank for authorization of withdrawal and disbursement of money from the bank and other banking activities.
 - 8.4.1. The Principal shall sign all disbursement checks, except the reimbursement and stipend check to himself or herself.

- 8.4.2. In case the Principal is absent, the Vice Principal sign checks except the reimbursement and stipend check to him or her.
- 8.4.3. Any non-routine and non-budgeted expense can not exceed \$500, or otherwise approved by the Board of Trustees, should be signed by the Principal.
- 8.4.4. Both Principal and Vice Principal shall not use any debit cards.
- 8.4.5. In no event that the Accountant may be allowed or designated to authorize and sign disbursement checks.

9. Fixed assets management

- 9.1. Fixed assets, but not limited to, include equipment, appliances, tools, separately purchased computer software, tapes and CD, collection of books, textbook and supply inventories, and other valuable assets of the School.
- 9.2. An asset inventory and log sheets for equipment, appliance, tools, and software shall be established.
 - 9.2.1. The inventory sheet should include asset information, such as
 - i) date of purchase
 - ii) costs
 - iii) if applicable, equipment name and model
 - 9.2.2. The log sheet should include asset information, such as
 - i) date of purchase
 - ii) costs
 - iii) if applicable, equipment name and model
 - iv) current condition (workable or with defects)
 - v) the current users
 - vi) date of obsolete
- 9.3. All users must sign in the log sheet when he or she is assigned an asset using for school operation.
- 9.4. The user should return such assets to the School and sign off the log sheet when he or she no longer serves the duty.
- 9.5. All users of school assets shall exercise his or her due care to properly use and handle the assets.
- 9.6. All users shall report any damage or lost of the assigned assets to the School timely.
- 9.7. A vice-principal or the designated officer shall be responsible for managing the school assets, control the log-in and log-out of school assets.
 - 9.7.1. The Accountant shall keep a copy of the assets log sheet.
 - 9.7.2. The responsible school officer shall provide an updated copy of assets log sheet to the Accountant on a timely basis.
 - 9.7.3. The assets logged onto the log sheet shall be reconciled to the amount of assets as recorded on accounting records.
- 9.8. Asset obsolete shall be concurred by the Principal by signing a written explanation from the responsible Vice-Principal or the designated officer.
- 9.9. A Vice-Principal or the designated officer shall maintain proper records and log sheet to track the use for school supplies and the inventory movement of the textbooks.

10. Loan

- 10.1. Generally, the School should not borrow or assume any loan or debt for the School's operation.
- 10.2. If the Principal determines that borrowing is necessary, under unusual circumstance, to maintain the School's operation for a certain period of time, the borrowing must be approved by the Board of Trustees.
- 10.3. In case a loan is deemed necessary, loan agreement shall be in place and it must be approved by the Board of Trustees.
- 10.4. Borrowings shall be disclosed to all school members in written notice.
- 10.5. The loan agreement shall be signed and executed by the Principal.

11. Bookkeeping and reporting

- 11.1. The School shall maintain complete and accurate records of its financial activities.

11.2. Records

- 11.2.1. The financial records include, but not limited to

- i) Tuition Payment Slips
- ii) Bank deposition receipt
- iii) Disbursement vouchers and attached original receipts or other proof of disbursement
- iv) Payroll sheets and related attendance sheets
- v) Invoices or receipts of school expenses
- vi) Canceled check and check stub
- vii) Bank statements
- viii) Any other records or proof of disbursement and/or revenue receipts
- ix) Ledger
- x) Financial statements
- xi) Budget plan, related board resolution, and amendments to the budget
- xii) Asset log sheet

- 11.2.2 In addition to hard copies of financial records, any school financial information in electronic format, including computerized records and files, are the School's financial records.

11.3. General Ledger

- 11.3.1. A general ledger shall be maintained to record accounting transactions on a weekly basis.

11.4. Chart of Accounts

- 11.4.1. The Chart of accounts should include at least the following separate accounts:
 - i) cash in bank
 - ii) cash on hand
 - iii) fixed assets (equipment, appliance, tools, software, etc.)
 - iv) textbook inventory

- v) payroll/stipend expenses
- vi) rental and facility expenses
- vii) supplies and teaching expenses
- viii) other activity expenses
- ix) Parent Committee activity expenses
- x) other administrative expenses
- xi) tuition revenue and fees
- xii) membership fees/Parent Committee fees
- xiii) tuition and fee receivable
- xiv) accrued expenses
- xv) Current Fund
- xvi) Reserve Fund
- xvii) Parent Committee Fund
- xviii) Restricted Fund

11.4.2. The Accountant may set up additional accounts as deemed necessary.

11.5. Financial statements

11.5.1. The School should prepare the following statements on an annual basis

- i) Profit/Loss statement
- ii) Balance sheet
- iii) Change in fund balance or Cash flow statement.

11.5.2. The financial statements should be prepared under accrued method.

11.6. Records keeping

11.6.1 All financial records and books are the exclusive assets of the School.

11.6.2 A hard copy of financial statements and general ledger should also be kept for each academic year for five (5) years.

11.6.3 At the termination of the Accountant's service, all financial records and books under the Accountant's care should be returned to the School.

12. The Accountant

12.1. The Accountant is a segregated position of the School Administration. Its function cannot be co-performed by any other School officers or staff.

12.2. As defined in the Bylaw, the Accountant has full responsibility in maintaining complete and accurate records of the School's financial activities and assisting the Principal to prepare budget and financial statements.

12.3. The Accountant shall conduct his or her duties fully in accordance with the financial control policies and administrative procedures provided in the Regulations.

12.4. If the Accountant can not resolve his or her disagreement with school officers on financial matters, the Accountant has the right to bring the issue directly to the Board of Trustees for further resolution.

- 12.5. If the Accountant, based upon his or her judgment, believes that irregularity or misconduct exists in the School financial operation, he/she shall bring the concern to the Board of the Trustees.
- 12.6. As defined in the Bylaw, the Accountant shall be appointed by the Principal and approved by Board of Trustees.
 - 12.6.1. No family members or relatives of Principal, Vice Principal, and members the Board of Trustees shall be appointed as Accountant.
- 12.7. In the event that the Principal dismisses the Accountant within his/her term, an explanation must be provided to the Board of Trustees
 - 12.7.1. The Board of Trustees may, at its discretion, verify the causes of the dismissal and override the Principal's decision.
 - 12.7.2. The dismissed Accountant may appeal to the Board of Trustees.
- 12.8. In transition of accountants, the predecessor should provide all school financial records and files under his or her care to the successor within two month, or otherwise approved by the Board of the Trustees.
- 12.9. The predecessor shall provide full cooperation to the successor during the transition.
- 12.10. The departure Accountant shall assist the new Accountant in learning operating the School's computerized accounting and bookkeeping system.
- 12.11. The predecessor shall reply subsequent inquiries, after the transition, from the successor or school officers for the issues related to the period when predecessor was in service.

13. Financial Audit

13.1. Internal audit

- 13.1.1. **Financial Audit.** The Board of Trustees shall conduct audit of financial statements on an annual basis to attest the fairness, completeness and accuracy of the financial statements reported by the School Administration.
 - 13.1.1.1. An interim audit may be conducted at the discretion of the Board of Trustees.
- 13.1.2. **Compliance Audit.** The Board of Trustees may, at its discretion, conduct an audit of compliance to attest whether the school financial operations are in compliance with the Bylaws and the Regulations.
 - 13.1.2.1. Such compliance audit shall be generally conducted as a part of the annual financial statement audit unless the Board of Trustees deems as necessary to carry out a separate compliance audit.
- 13.1.3. **Departure Audit.** The Board of Trustees may, at its discretion, conduct an audit of financial activities, when a school officer or staff departs from his or her position before the end of his or her service term, to clarify the School's financial condition at that time for transition purposes, or to clarify other transition-related financial issues under the consideration of the Board of Trustees.
- 13.1.4. **Special Audit.** The Board of Trustees may, at its discretion or at a request petitioned by not less than ten school members, conduct a special audit to investigate financial matters concerned by the Board of Trustees or the requested members.

13.2. Audit and audit report

- 13.2.1. Audits shall be conducted generally in compliance with audit procedures promulgated by relevant professional organizations.

- 13.2.2. The School officers and staff must provide full cooperation to auditors and provide, in his/her best knowledge, all necessary information requested by the auditors.
- 13.2.3. Auditors may suggest adjustments to the book for incorrect book entries or accounting treatment.
- 13.2.4. Auditors shall report any uncovered irregularity or misconduct in the School financial operation immediately to the Board of Trustees before the conclusion of the audit.
- 13.2.5. The audit team shall issue audit reports for all types internal audits to the Board of Trustees to render auditors opinion on the matters under audit.
 - 13.2.5.1. The format of audit opinion on financial statements should generally follow the standard format provided by relevant professional organization.
 - 13.2.5.2. The format of audit report for all other internal audits should be determined based upon the request and the satisfaction of the Board of Trustees.
- 13.2.6. The audit team shall report its findings only to the Board of Trustees.
- 13.2.7. Auditors shall not release any financial and audit related information, records, or reports to any persons or parties without written authorization of the Board of Trustees.
- 13.2.8. The Board of Trustees shall reach a resolution to an audit after review the audit report.

13.3. Auditors

- 13.3.1. All internal audits should be conducted by an audit team with at least three team members.
- 13.3.2. The audit team shall be appointed by the Board of Trustees.
- 13.3.3. No school officers, staff, or their family members or relatives shall be appointed as audit team members.
- 13.3.4. The auditors can be school members or non-members.
- 13.3.5. The individual who is appointed as auditor shall have sufficient relevant professional experiences.
- 13.3.6. Auditors shall exercise their due diligence in conducting the audit.

13.4. External audit

- 13.4.1. In the event that audited financial statements are required for any external purposes, the Board of Trustees shall appoint an independent external qualified professional to conduct a financial statements audit to satisfy such external needs.

14. Implementation

- 14.1. The Board of Trustees is the only authority that has the right to interpret the Regulations.
- 14.2. The Board of Trustees may amend the Regulations under the Bylaw.
- 14.3. The initial promulgation and thereafter amendments of the Regulations shall be announced to the school members.
- 14.4. In case the Regulations are not in consistency with rules of the Huaxia Chinese Schools (headquarters), it is the Board of Trustees discretion to decide whether the School should adopt Huaxia Chinese Schools' rules.

- 14.5. Newly appointed Principal, Vice Principal, PTO Chair and Accountant should have an orientation regarding to the Regulations thoroughly by the Board Chairman before carrying out their financial duties and authorities.
- 14.6. It is the responsibility of all school personnel, including members of the Board of Trustees, School Administration, and Parent Committee, to understand the related provisions of the Regulations before conducting any financial related activities.
- 14.7. The Board of Trustees shall maintain a folder for all school bylaws and regulations for the purposes of school permanent records.
- 14.8. The Principal shall maintain a separate copy of the Bylaws and regulations for daily operation reference. Such file shall be transferred by the departing Principal to the succeeding Principal as one of the required transition procedures.
- 14.9. The Accountant shall maintain a separate copy of the enforced Regulations for his or her working reference. Such folder shall also be transferred to the succeeding Accountant by the departing Accountant as one of the required transition procedures.