



Meeting Minutes: January 19, 2017

The regular monthly meeting of Northside Education Inc. dba Atlanta Classical Academy was held on January 19, 2017 at 6 p.m. at Atlanta Classical Academy, 3260 Northside Drive, N.W., Atlanta, GA 30327, the Chairman being in the chair and the Secretary being present.

In attendance: Mark Carlson, Morgan Hamilton, Dr. Lee Friedman, Cat McAfee, Scott Yates, CEO Matthew Kirby, Principal Dr. Terrence O. Moore, and Dean of Administration Steve Lambert.

The board unanimously approved motions to adopt the minutes of the December 15th, 2016. The board unanimously approved the agenda of this regular meeting.

Community Comments

There were no community comments.

Chairman's Report & Treasurer's Report

Mr. Carlson updated the board on the upcoming strategic planning session on February 13th, 2017 (subsequently cancelled), and on potential dates for the next visit of Dr. Brian Carpenter related to the board's on-going adoption of the Policy Governance model. Mr. Yates did not present a report.

CEO's Report & Principal's Report

Mr. Kirby updated the board on issues related to enrollment, student services, attendance and other matters contained in the dashboard. Mr. Kirby presented the monthly financial report for December 2016 and updated the board on the "Building on Purpose" capital campaign and potential near-term capital projects (e.g., replacement of the HVAC system).

In response to questions from various board members and the CEO, Dr. Moore updated the board on topics related to academics, student community service projects and college admissions counseling.

Financial Statements

The motion is to receive the monthly financial report for December 2016 as presented by the CEO.

Moved: Mr. Carlson
Second: Ms. McAfee
Vote: Unanimous

CEO Monitoring Reports

The motion is to affirm that the CEO has presented a reasonable interpretation of Policy EL #1 [Global Executive Limitations Policy], Policy EL #2e [Emergency CEO Succession], Policy EL #2d, Policy EL #3d.1-4, 6-9, 12-18 [Financial Condition and Activities], and Ends Policy #2a.4 [Student Absenteeism], and to defer review of Policy EL #3d.5, Policy EL #3d.10, and Policy EL #3a.7 [Treatment of Families, Students & Prospective Families & Students].

Moved: Mr. Carlson
Second: Ms. McAfee
Vote: Unanimous

The motion is to affirm that evidence presented by the CEO demonstrates accomplishment of the interpretation of Policy EL #1 [Global Executive Limitations Policy], Policy EL #2d, Policy EL #2e [Emergency CEO Succession], Policy EL #3d.1-4, 6-9, 12-18 [Financial Condition and Activities], and Ends Policy #2a.4 [Student Absenteeism], and to defer consideration of evidence of accomplishment of Policy EL #3d.5, Policy EL #3d.10, and Policy EL #3a.7 [Treatment of Families, Students & Prospective Families & Students].

Moved: Mr. Carlson
Second: Mr. Yates
Vote: Unanimous

New Business

The motion is to approve the CEO's request to establish a credit card account through Atlantic Capital Bank.

Moved: Mr. Carlson
Second: Ms. Franklin
Vote: Unanimous

The motion is to approve the CEO's request to establish a fourth bank account with Atlantic Capital Bank to serve as the "Capital Account".

Moved: Mr. Carlson
Second: Mr. Yates
Vote: Unanimous

Board Self Evaluation

Ms. McAfee orally evaluated the board's performance with regard to GPP #3f.4 and #3f.5.

#

The meeting adjourned at 7:21 p.m.

Respectfully submitted,

Mr. Mark A. B. Carlson, Board Chairman

CEO's Monitoring Report

Date: January 2017

Policy EL 1: Global Executive Limitations Policy

The principal shall not cause or allow any organizational practice, activity, decision, or circumstance that is unlawful, imprudent, unethical, material deviation from the school's charter or authorizer policies and directives.

CEO's Interpretation:

Level 2 Executive Limitations policies are complete and exhaustive in breadth. That is, the outer "bowl" in the Executive Limitations quadrant of policies is completely "covered" by Level 2 policies that address all aspects of the organization's existence. Therefore, the CEO is in compliance with EL #1 once compliance has been achieved in all lower level policies. Dr. Brian Carpenter confirms that other organizations often take this approach.

Report:

Not applicable.

Evidence:

Compliance with all Level 2 Executive Limitation policies is compliance with this high-level, global policy.

CEO's Monitoring Report

Date: January 2017

Policy EL #2e: Emergency CEO Succession

To protect the Board from sudden loss of the CEO's services, the CEO may not permit there to be fewer than two other executives sufficiently familiar with board and CEO issues and processes to enable either to take over with reasonable proficiency as an interim successor.

CEO's Interpretation:

In interpreting this policy, the CEO is acting as if the Board's intent is for the policy to aim at the senior executive, the CEO. (Policies are likely to be modified to reflect the existence of a CEO in due course.) This policy aims to prepare the organization for the unexpected loss of the chief executive. This is the "Mack truck" provision, and not a general call to train and develop executive leadership (though the CEO assumes that the Board would appreciate such activity). The Board expects the CEO to ensure that the mission of the school and its ability to operate safely and sustain itself would be protected in such a scenario. As with other emergency procedures, the plan must be clearly articulated, and those who would implement it must be aware of their responsibilities. The key is cross training, and clear communications between the Board and those senior leaders who remain.

Report:

The organization has operated for 2.5 years without a CEO. Its Principal/Academic Dean and Dean of Administration are capable of serving as CEO in this emergency scenario. Both are fully capable of managing the day to day operations of the school. Both are familiar with the Board's recently-adopted *Policy Governance* policies. Both have interacted with authorizers. Both are familiar with the curriculum, the school calendar, and financial policies and procedures. Report compliance.

CEO's Monitoring Report

Date: January 2017

Policy EL 2d: Financial Condition and Activities

With respect to the actual, ongoing financial conditions and activities, the CEO may not cause or allow the development of financial jeopardy or material deviation of actual expenditures from board priorities established in its Ends policies.

CEO's Interpretation:

The school's actual financial condition, performance, transparency, and adherence to mission is of the utmost importance to the citizens of Atlanta and Georgia (the "Owners"), and to the school's authorizers. The Board has a fiduciary duty to the Owner's and authorizers to see to it that the finances of the school – public and private – are being managed legally, ethically, prudently, and in accordance with the mission of the school, and the Ends as defined by the Board.

The Board has fully expressed its will related to "financial jeopardy" in the EL #3d (lower level) policies. In this higher-level policy, the board seeks to see to it that financial resources are being used only in support of the mission of the school and other priorities established in Ends policies. (The Board is still developing its *Policy Governance* Ends.)

Report:

Financial resources are being used only to support the activities of the school (academics, arts, athletics, activities), to advance its mission (to form intelligent, virtuous citizens) and influence, and to fund efforts that support the same (enrollment, IT, business management, etc.). Report compliance.

Evidence:

Monthly financial reports. Detailed reports and account statements are available upon request.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.1: Financial Condition and Activities

The CEO shall not:

1. Incur new debt or modify the terms of existing debt without permission of the board.

CEO's Interpretation:

Within the proper constraints, debt can be an appropriate, helpful component of the organization's capital structure. But if not managed carefully, obligations related to debt have the potential reduce the ability to meet other obligations, to execute the mission, and to attract philanthropic support. Insolvency would put our charter agreement and our existence at risk.

We consider that this policy relates to any debt or debt instrument including but not limited to private loans, loans from banks and financial institutions, public bonds, and credit cards.


The Board expects the CEO to manage the capital structure of the organization conservatively and with transparency and to plan for and meet the near- and long-range financial obligations of the school. The Board wishes to be informed and to make final judgements with regard to taking on additional debt or modifying the terms of existing debt.

Report:

With the Board's permission, the rate of the primary real estate loan was fixed at 4.25% in December of 2016. There have been no other changes or additions to debt. Report compliance.

Evidence:

Loan statements originated by Atlantic Capital Bank.


Atlantic Capital
 3525 Piedmont Rd NE
 7 Piedmont Center | Suite 510 | Atlanta, GA 30305
 Email: Loanoperations@atlcapbank.com
 Phone: 404-460-7866 | Fax: 404-995-5804

NORTHSIDE EDUCATION INC
 3260 NORTHSIDE DR NW
 ATLANTA GA 30305
 US


Total Interest Due: 25,588.54
 Total Due: 25,588.54 USD
 Due Date: 5-Jan-2017

Re: **NORTHSIDE EDUCATION INC**
 Invoice ID: 04UCICYLP9
 Prepared: 20-Dec-2016

Please be advised that the following payments will be due on 05-Jan-2017.

Facility Name: **TERM LOAN**
 Pricing Option: **Fixed Rate Option (00006229)**
 Outstanding Type: **Loan**

Start	End	Days	Balance	Rate	Amount
05-Dec-2016	08-Dec-2016	4 days	7,225,000.00	3.18750%	2,558.85
09-Dec-2016	31-Dec-2016	23 days	7,225,000.00	4.25000%	19,617.88
01-Jan-2017	04-Jan-2017	4 days	7,225,000.00	4.25000%	3,411.81
Current Interest:					25,588.54
Total Due:					25,588.54


Atlantic Capital
 3525 Piedmont Rd NE
 7 Piedmont Center | Suite 510 | Atlanta, GA 30305
 Email: Loanoperations@atlcapbank.com
 Phone: 404-460-7866 | Fax: 404-995-5804

NORTHSIDE EDUCATION INC
 3260 NORTHSIDE DR NW
 ATLANTA GA 30305
 US

Total Principal Due: 4,935.19
 Total Interest Due: 1,292.32
 Total Due: 6,227.51
 Due Date: 5-Jan-2017

USD

Re: NORTHSIDE ED 6/17/16
 Invoice ID: 04UCICYLH1
 Prepared: 20-Dec-2016

Please be advised that the following payments will be due on 05-Jan-2017.

Facility Name: TERM LOAN - SUPPLEMENTAL
 Pricing Option: Fixed Rate Option (00006292)
 Outstanding Type: Loan

Start	End	Days	Balance	Rate	Amount
Current Principal:					4,935.19
Total Due:					4,935.19

Facility Name: TERM LOAN - SUPPLEMENTAL
 Pricing Option: Fixed Rate Option (00006292)
 Outstanding Type: Loan

Start	End	Days	Balance	Rate	Amount
05-Dec-2016	31-Dec-2016	27 days	300,152.46	5.00000%	1,125.57
01-Jan-2017	04-Jan-2017	4 days	300,152.46	5.00000%	166.75
Current Interest:					1,292.32
Total Due:					1,292.32

Transaction Detail

Effective Date	Description	Amount
05-Dec-2016	Scheduled Interest Payment	1,271.29
05-Dec-2016	Scheduled Loan Principal Payment	-4,956.22

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.2: Financial Condition and Activities

The CEO shall not:

2. Modify the terms of insurance policies without permission of the board.

CEO's Interpretation:

The CEO is accountable to the Board for managing organizational risk. To that end, a number of insurance policies have been established. A summary is included in this report. We consider that this particular PG policy relates to the types of insurance policies described in the summary; that it does not relate to insurance offered to employees such as medical, dental, life, or disability insurance.

The CEO will not make additions, deletions, or modifications to the insurance policies pertinent to EL 3d.2 without permission of the board.

Report:

There have been no modifications to the terms of insurance policies. Report compliance.

Evidence:

Summary of coverage from Sterling Risk Advisers.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.3: Financial Condition and Activities

The CEO shall not:

3. Open new bank accounts without board approval.

CEO's Interpretation:

The Board expects the CEO to ensure that the organization's cash is secured with a reputable banking institution, and that all accounts, account balances, and activity are transparent. The Board wishes to make final judgements with regard to establishing additional bank accounts; the CEO will not open new bank accounts without Board approval. The CEO will not change the configuration or purpose of accounts, nor will he close an account without notifying the Board.

Report:

No new bank accounts have been opened. Report compliance.

Evidence:

The CEO presents the bank-generated cover page of active bank accounts monthly. Complete statements are available upon request.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.4: Financial Condition and Activities

The CEO shall not:

4. Expend restricted funds except for the purposes for which the funds have been restricted.

CEO's Interpretation:

Restricted funds are grants or donations the school accepts via an agreement with the originator to use the funds for a specific purpose or purposes. The CEO considers grants and donations associated with the current *Building on Purpose* campaign to be restricted to capital needs described in the campaign literature.

The Board expects the CEO to manage restricted funds with integrity and transparency and to utilize them for the purposes for which they are intended. It is the CEO's responsibility to be aware of these restrictions when they exist and to accept restricted funds only when the school intends to honor the restriction. The CEO will ensure that the restrictions relate to the Ends of the organization as defined by the Board; that receipt of such restricted funds would not put the organization's non-profit status at risk. Through this policy, the Board encourages the CEO to ensure that procedures are in place for considering, receiving, accounting for, and using restricted funds. Policy EL 3d.15 explicitly requires the CEO to demonstrate that these procedures are in place and enforced.

Report:

As of 12/31/16, the school has collected \$2,339,391.11 in funds supporting the *Building on Purpose* campaign. This includes private donations and several grants from foundations. The school has invested over \$3.2M in cash (plus debt) to complete the projects. Funds intended for capital projects have been used as they were intended. Report compliance.

Evidence:

Bank statements, check receipts, and the general ledger are available upon request.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.6: Financial Condition and Activities

The CEO shall not:

6. Fail to maintain adequate cash reserves as required by creditors, nor use funds from designated reserve accounts without the permission of the board.

CEO's Interpretation:

At present, the only reserve requirement to which the CEO is bound is that which is enumerated in the loan document with Atlantic Capital Bank as updated in December 2016 to reflect the change to a fixed interest rate. The school currently holds these funds (and additional funds) in the bank account labeled "Operating reserve". The Board intends for the CEO to meet this obligation for as long as it exists. To the extent that this particular requirement terminates, the Board intends for the CEO to use the same reserve funds only with the explicit permission of the Board.

Report:

The Reserve Account balance satisfies the lender's requirement. Report compliance.

Evidence:

Current loan document that enumerates the requirement; account balance confirmed by redacted 3rd party statement.

8.10 **Operations.** Maintain executive and management personnel with substantially the qualifications and experience as those currently in its employ; provide written notice to Lender of change in executive and management personnel; and conduct its business affairs in a reasonable and prudent manner.

8.11 **Compliance with Laws.** Comply with all Applicable Laws, now or hereafter in effect, that are applicable to the ownership of its properties, the conduct of its business or operations, or the use, maintenance, sale, lease or occupancy of any Collateral, including Anti-Terrorism Laws, the Fair Labor Standards Act and the Environmental Laws.

8.12 **Inspection.** Permit Lender at any time to inspect, at Borrower's expense, any Collateral and Borrower's other properties and to examine or audit its books, accounts, and records and to make copies thereof. If it at any time maintains any records (including computer generated records and computer software programs for the generation of such records) in the possession of a third party, it shall, upon request of Lender, notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at its expense.

8.13 **Environmental Compliance and Reports.** Comply in all respects with all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on its part or on the part of any third party, on property owned and/or occupied by it, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by an appropriate Governmental Authority; furnish to Lender, promptly (and in any event within thirty (30) days) after receipt thereof, a copy of any notice, summons, citation, directive, letter or other communication from any Governmental Authority concerning any intentional or unintentional action or omission on its part in connection with any environmental activity whether or not there is damage to the environment; and promptly conduct and complete, at its expense, all such investigations, studies, samplings and testings as may be requested by Lender or any Governmental Authority relative to any substance, or any waste or by-product of any substance defined as a Hazardous Substance under applicable Environmental Laws, at or affecting any property owned, leased or used by it.

8.14 **Banking Relationship.** Maintain its primary banking relationship (including deposit accounts) with Lender.

8.15 **Financial Covenant(s).** Comply with the following:

- (a) **Unrestricted Cash.** Maintain at all times unrestricted cash on its balance sheet (and free of all Liens) of not less than \$750,000.
- (b) **Minimum Net Change in Assets.** Achieve a Net Change in Assets of (i) no worse than a loss of \$120,000 as of each fiscal quarter end during its fiscal years ending June 30, 2017 and June 30, 2018 and (ii) greater than \$0 as of each fiscal quarter end thereafter.
- (c) **Pledges.** Borrower shall have, by July 31, 2016, (i) collected a minimum of \$1,500,000 in cash from its capital campaign for the "Atlanta Classical Academy", and (ii) shall have received at least \$2,500,000 in capital campaign pledges (including both collected pledges under clause (i) hereof and uncollected pledges) for the "Atlanta Classical Academy".
- (d) **Definitions; GAAP Calculations.** For purposes of the foregoing financial covenant or covenants, "Net Change in Assets" shall mean, for any period of calculation, Borrower's total revenues, less its total expenses, less capital expenditures, less pension contributions, each for the trailing twelve month period.

Except as otherwise provided in the foregoing definitions, all computations made to determine compliance with the financial covenants contained herein shall be made in

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.7: Financial Condition and Activities

The CEO shall not:

7. Fail to settle payroll and pay other debts in a timely manner.

CEO's Interpretation:

This policy refers to payroll and payroll tax obligations and debt service/repayment related to long term loans and credit cards. Payroll/payroll taxes are currently settled twenty-four times per year on the 15th and the last business day of each month.* Other debt service obligations are settled monthly.

The Board expects the CEO to settle these in a timely manner. The Board expects such activity to be transparent. The Board expects the CEO to notify the Board any time the school is either in jeopardy of missing payroll or debt service payments and/or when the school has failed to make timely payments.

*The payment of payroll taxes could arguably be monitored under EL #3d.8, but evidence for payroll taxes appears on the same third-party receipt as payroll. Therefore, to eliminate the need to report the same evidence twice, the CEO reports the payment of payroll taxes with EL #3d.7 concurrent with the EL #3d.8 report.

Report:

The school is current on payroll payments, payroll tax obligations, and debt service payments. Report compliance.

Evidence:

Payroll summary receipt similar to the example provided are available upon request.

Loan account statements demonstrating principal and interest payments.

CLIENT 81139 NORTHSIDE EDUCATION INC. - ATLANTA CLASSICAL

CASH REQUIREMENT SUMMARY

NET CASH

POC Checks	.00	
Partial DD ATLANTIC CAPITAL BANK		
ABA# xxxxx1025 Acct# xxxxxx2561	1,156.52	
Net DD ATLANTIC CAPITAL BANK		
ABA# xxxxx1025 Acct# xxxxxx2561	<u>91,669.22</u>	
Direct Deposits Subtotal Drafted 12/29/2016	92,825.74	
TOTAL NET CASH		92,825.74
POC Manuals/Voids	.00	
Third Party Sick Payments*	.00	
POC Payables --		
ATLANTIC CAPITAL BANK		
ABA# xxxxx1025 Acct# xxxxxx2561	.00	
TOTAL		92,825.74

EMPLOYEE TAX WITHHELD

Social Security - Employee	187.75	
Medicare - Employee	1,715.16	
Federal Income Tax	11,008.96	
Georgia Withholding	5,165.42	
TOTAL EMPLOYEE TAX WITHHELD		18,077.29

EMPLOYER TAX LIABILITY

PAYCOR FILING RESPONSIBILITY		
Social Security - Employer	187.75	
Medicare - Employer	1,715.16	
TOTAL PAYCOR FILING RESPONSIBILITY		1,902.91
CLIENT FILING RESPONSIBILITY		
TOTAL CLIENT FILING RESPONSIBILITY		0
TOTAL EMPLOYER TAX LIABILITY		1902.91

Funds Drafted 12/29/2016		
ATLANTIC CAPITAL BANK ABA# xxxxx1025 Acct# xxxxxx2561		19,980.20

TOTAL TAX FUNDS DRAFTED 12/29/2016	19,980.20
TOTAL PAYROLL LIABILITY	112,805.94
TOTAL CASH REQUIREMENTS LESS MANUAL VOIDS	112,805.94

The above cash requirement total does not include the invoiced amount for the payrun.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.8: Financial Condition and Activities

The CEO shall not:

- 8. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.

CEO's Interpretation:

This policy refers to the school's obligation to make the following payments accurately and on time:

<u>Requirement</u>	<u>Periodicity</u>
Teacher Retirement System (TRS) payments	Monthly
Local property taxes related to 3260 Northside Drive*	Annually
IRS Form 990 (Return of Organization Exempt from Income Tax)	Annually, November
W-2 / Form 1095 to employees	Annually, March
Form 1099 to contractors	Annually, January

The Board expects the CEO to settle payments and make reports in a timely manner, in accordance with governmental or authorizer mandates; for such activity to be transparent; to notify the Board any time the school is either in jeopardy missing payments and/or when the school has failed to make timely payments.

*The CEO is currently working to apply for property tax exemption, and it is anticipated that the school will not have to pay property tax in 2017 and beyond.

Report:

The school is current on government-ordered payments and filings. Report compliance.

Evidence:

Confirmation receipt from TRS, property tax payment receipt from Fulton County/City of Atlanta, board-signed Form 990, CEO report.

Please do not hesitate to call your assigned representative if you have any questions or need further assistance.

Robert Tidwell

Payment Receipt

Remittance ID: 1691-679603-01042017010930792

	Payment Entry Date	Amount to Pay
Monthly Invoice	01/04/2017 01:09:30 PM EST	\$47,339.54
		\$0.00

Employer Code: C013

Employer Name: ATLANTA CLASSICAL ACADEMY

Payment has been successfully processed

Total Processed:	\$47,339.54
Total Unpaid:	\$0.00

Payment Method

Company Name:	ATLANTA CLASSICAL ACADEMY
First Name:	Robert
Last Name:	Tidwell
Routing Number:	061121025
Account Number:	****2561
Business Tax ID:	454342063
Billing Address:	3260 Northside Drive ATLANTA, Georgia 30305
Country:	UNITED STATES
Account Type:	Business Checking

[Print](#) [Continue](#)

Your payment has been submitted. Please print this page for your records. Payments received after 7:30 PM EST will be processed the next business day. Your payment will be posted to your account the following business day.

Please be advised that all payments received after 7:30 PM EST M-F will be processed on the following business day

Confirmation of TRS payment.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.9: Financial Condition and Activities

The CEO shall not:

9. Fail to report at every regular board meeting current enrollment, changes to enrollment from previous reporting period and with reasons for withdrawal (to the extent that such reasons can be acquired with a reasonable effort by school staff).

CEO's Interpretation:

The school's operating budget is funded by public funds in accordance with the Charter Agreement and Georgia Charter School Law. This per pupil public funding is based – as the name states - on the number of students enrolled. Therefore, detailed grade-by-grade enrollment, changes to enrollment, and waitlist information, has significant implications to the school's revenue and financial health; these are an indicator of the overall satisfaction of existing students and their parents and of the perception of the general public; they influence our relationship with authorizers; and they signal our ability to replace students who leave the school. The philanthropic community uses these figures to gauge overall demand for the school, the quality of the leadership, and financial stability. This information is best considered by analyzing short- and long-term trends.

The Board asks for reasons for withdrawal, because it intends to understand the causes of attrition. It wishes to see to it that the CEO knows the causes of attrition so that the team is able – in the spirit of constant improvement – to adjust appropriately. To the extent that negative trends are emerging, the Board wants to have the ability to spot them early. The Board does not intend for the staff to invest an unreasonable amount of time or effort to learn the causes, and it does not intend for the CEO or staff to take action that would compromise personal information about a student or family.

Report:

The CEO includes this information on the monthly dashboard. The withdrawal report is available upon request. Report compliance.

Evidence:

Internally produced enrollment report.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.12: Financial Condition and Activities

The CEO shall not:

12. Make in any fiscal year greater than \$20,000 in cumulative, unbudgeted capital expenses without prior approval from the Board, except that the CEO may make emergency purchases required to establish or preserve safe conditions.

CEO's Interpretation:

Capital expenses include land acquisition, new construction, major system repairs, and any deferred maintenance that, if not corrected in the current budget cycle, places building occupants at risk of harm, or the facility at risk of not fulfilling its functions. Emergency purchases are those required to establish or preserve safe conditions.

The Board wants to be aware of and/or to limit unbudgeted capital expenses. Unbudgeted expenses have the potential to eliminate funds required elsewhere. Unbudgeted capital expenses may signal either a strategic shift in spending or a significant facilities-related problem. The Board expects to be notified if the CEO suspects that unbudgeted capital expenses are likely to be necessary.

Report:

The monthly financial statement demonstrates that in this fiscal year, the school has not made greater than \$20,000 in cumulative, unbudgeted capital expenses. There have been unexpected capital requirements as a result of tornado damage, but those expenses will be off-set by insurance proceeds, less our \$1,000 deductible. Report compliance.

Evidence:

Internally generated, monthly financial reports. Details available upon request.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.13: Financial Condition and Activities

The CEO shall not:

13. Accept gifts or grants which obligate the school to make future expenditures with funds other than those created by the gift or grant without board approval or which are not in the best interest of the school to accept.

CEO's Interpretation:

The first aim of this policy is to ensure the school does not accept gifts or grants that lead to future expenses whether those expenses are easy, difficult, or impossible to predict. Examples of this at other institutions abound: a curricular program that once started requires new materials; a climbing wall that must be maintained, repaired, and insured. The potential exists for an entire era of leaders to change before future expenses manifest. The risk to financial health and stability in the future is evident, and it is to be avoided.

It is assumed that it was the board's intention to direct donor funds towards the purchase of the property and modular building knowing that the maintenance and operations of these assets would be funded from operating funds.

The second aim of the policy is to discourage the acceptance of gifts or grants that would not be in the best interest in the school. This could refer ultimately to assets that may not necessarily create future expenses, but would not serve the mission of the school, or make sense given our facilities, or fit with our culture. If the CEO has doubts as to what is or isn't in the best interest of the school, the CEO should elevate the question to the Board.

The Board expects the CEO to have policies in place and to ensure the school complies with this policy.

Report:

Report compliance.

Evidence:

Development records including grant documentation are available upon request.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.14: Financial Condition and Activities

The CEO shall not:

14. Allow the school's financial condition to jeopardize long-range financial requirements.

CEO's Interpretation:

The Board directs the CEO with regard to the budgeting/planning process in EL #2c and #3c. EL #2d and #3d policies collectively are constructed to monitor the school's actual financial performance. Both of these keep the attention of the CEO primarily within the school's three year plan.

Alternatively, in EL #3d.14 the Board points the CEO's attention towards financial requirements that fall beyond the three-year budget. This policy encourages the long view in pursuing long-term opportunities or negotiating large or long-range contracts. It requires the CEO to plan to meet the needs of the school well beyond the three-year budgeting horizon. These financial needs are tied directly to capital requirement, to facilities. This policy requires the CEO to ensure that the school's *actual* financial status does not jeopardize those long-range requirements.

Report:

With regard to operations, the school is well-positioned to operate within per pupil revenue for the foreseeable future. The school will reach its full K-12 configuration in two years, and at that point we do not anticipate major changes to the operating cost structure of the school. All indications are the per pupil revenue is stable and predictable, though there is no guarantee of certainty. With regard to capital requirements, the school is not in jeopardy from a financial perspective of failing to address long-range capital needs, namely additional classroom, office, auditorium, parking, and field space. But meeting them will require a magnificent effort from school leadership. Report compliance.

Evidence:

Monthly financial reports. Annual, audited statements.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.15: Financial Condition and Activities

The CEO shall not:

15. Operate without adequate policies, procedures, and internal controls related to financial operations, purchase order procedures, cash management, credit cards, asset protection, and donation receipt and acknowledgement procedures.

CEO's Interpretation:

The Board wants to ensure that its financial policies are communicated clearly throughout the organization; that mechanisms are in place to ensure that they are followed with integrity. Most of EL #3d policies are in place to ensure the financial integrity of the school, to ensure that these policies are being executed.

Report:

The CEO is in the process of updating policies and procedures to reflect the presence of a CEO, the use of credit cards (and not debit cards), the addition of a Capital Account, and the addition of gift acceptance policies and procedures. The school is operating in accordance with formerly approved policies; the CEO is currently signing checks. The staff has already implemented the recommendations made by the auditor in the FY16 report from September '16. A draft of the gift acceptance policy is available upon request. Report non-compliance; the CEO will be compliant at the next quarterly reporting period.

Evidence:

CEO's policy manual, in progress.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.16: Financial Condition and Activities

The CEO shall not:

16. Permit school debit cards.

CEO's Interpretation:

The Board prohibits the use of debit cards, because it is very difficult to protect and account for cash withdrawn using a debit card. Credit cards established by the school with the permission of the Board shall not have cash withdrawal privileges.

Report:

The school currently maintains and uses debit cards, and has a procedure for doing so. At the January '17 meeting, the CEO is asking the Board for permission to establish a credit card account. Once this account is established, debit cards will be destroyed. Report non-compliance; the CEO will be compliant by the February '17 regular board meeting.

Evidence:

Bank and credit card statements available by request.

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.17: Financial Condition and Activities

The CEO shall not:

17. Fail to require expense reimbursements to occur in accordance with IRS permissible rates.

CEO's Interpretation:

To the extent that the school reimburses expenses dictated by the IRS, it shall do so in accordance with the regulations. The broader intent is to treat employee well by ensuring that legitimate expenses are fully reimbursed, but also to ensure that the school is not inadvertently causing tax consequences for the employee. Currently, the school reimburses employees for actual travel expenses associated with summer training. Conceivably, the school could reimburse employees for miscellaneous, local work-related travel such as driving to a meeting, or parking.

Report:

The school reimburses pre-authorized, work-related expenses in accordance with IRS permissible rates.

Report compliance.

Evidence:

IR-2016-169, December 13, 2016



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2017 Standard Mileage Rates for Business, Medical and Moving Announced

IR-2016-169, Dec. 13, 2016

WASHINGTON — The Internal Revenue Service today issued the 2017 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2017, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 53.5 cents per mile for business miles driven, down from 54 cents for 2016
- 17 cents per mile driven for medical or moving purposes, down from 19 cents for 2016
- 14 cents per mile driven in service of charitable organizations

The business mileage rate decreased half a cent per mile and the medical and moving expense rates each dropped 2 cents per mile from 2016. The charitable rate is set by statute and remains unchanged.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements are described in [Rev. Proc. 2010-51](#). [Notice 2016-79](#), posted today on IRS.gov, contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

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Page Last Reviewed or Updated: 13-Dec-2016

CEO's Monitoring Report

Date: January 2017

Policy EL 3d.18: Financial Condition and Activities

The CEO shall not:

18. Fail to maintain a gift acceptance policy that requires the school to
 - a. Adhere to IRS regulations pertinent to recipients of charitable giving;
 - b. Adhere to professional ethical standards for fundraisers;
 - c. Deposit and use for the stated purposes all donations that the school accepts;
 - d. Satisfy reporting requirements for grants, as required.

CEO's Interpretation:

The Board has clearly articulated the minimum requirements for the CEO's gift acceptance policy. The CEO is expected to maintain a policy, to communicate it clearly to donors and employees, and to ensure it is implemented with due care.

Report:

The gift acceptance policy is in draft form. The formerly approved Financial Policies include some procedures related to the handling and valuation of donations. The particulars enumerated here in EL #3d.18 are not included in that policy. Report non-compliance; the CEO will be compliant at or before the next quarterly report.

Evidence:

CEO's internal policies.

CEO's Monitoring Report

Date: January 2017

Policy ENDS 2a.4

The Charter Agreement requires the following:

% students absent 15 days or more shall not exceed 10%, and shall improve by 2 % until students absent 15 days or more is below 5%

CEO's Interpretation:

The CEO is expected to achieve metrics required by the Charter Agreement and the Board's Ends policies. Students must be at school to learn and to practice the virtues and to keep pace with other students. To protect itself and the child, the school ought to be aware when a student is frequently absent and understand the causes. The school ought to make parents aware of the requirement and craft plans and communications to optimize attendance.

Report:

Through December 31, 2016, the number/percentage of students with three (3) or more absences is 17 / 2%. Report compliance.

Evidence:

Monthly dashboard. Subject to confidentiality requirements, internal records available upon request.