

**IPS Enterprises, Inc.
Employee Awards and Gifts Policy**

Finance Policy 1.15

Sec. 1. POLICY.

The Board of Directors (the “Board”) of IPS Enterprises, Inc. (“IPS”) hereby adopts the employee award policy described herein. Through this policy, IPS Officers are authorized to use funds to purchase and distribute awards in recognition of individual and organizational achievements and to enhance and maintain employee morale and retention. In order to ensure that the use of funds yields the desired result, the Chief Executive Officer (“CEO”) or designee shall, for each fiscal year, present to the Board a plan to implement this policy. In the plan, the CEO or designee shall identify the process by which IPS will identify eligible employees, the criteria that an eligible employee must meet to receive an award, and the metric(s) that will be used to show that IPS’s expenditure of funds to promote employee morale yielded the desired result. Awards are limited in amount per employee per award as further defined in Section 3.

The Board strictly prohibits the use of IPS funds for personal use.

The policy summarizes potential income tax consequences of awards and gifts to an employee, but actual tax treatment shall be determined under federal and state law. In general, all funds or items of value given to employees are considered compensation, and are subject to federal, state, local, and employment tax withholding and reporting on Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement, unless a specific exemption applies under federal law.

This policy shall also track the policies of IDEA Public Schools subject to Board differentiation contained herein or otherwise approved by the IPS Board.

Sec. 2. AUTHORITY OVER FISCAL MATTERS.

- (a) Subject to the provisions of Section 4.4 of the IPS Bylaws relating to actions to be approved by the CEO or the Sole Member, the business, property, and affairs of IPS shall be managed and all powers of IPS shall be exercised by or under the direction of the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Authority Over Fiscal Matters Policy (the “Controlling Policy,” Finance Policy 1.0) for requirements applicable to this policy.
- (b) The Officers of IPS (as defined in Sec. 5 of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an Officer and any conflicted, interested, or related party, as defined in other Board policy or applicable law. IPS (and its Officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

Sec. 3. DEFINITIONS.

Sec. 3.1. Local Funds.

Funds received from private donors, fundraising efforts, or other activities, efforts, functions, programs and/or services undertaken by IPS.

Sec. 3.2. Award.

An item given to show appreciation, support, goodwill, and recognition of an outstanding

accomplishment related to job performance. Examples of outstanding accomplishments include length of service (longevity), safety achievement, promotion, achievement in teaching, modeling of core values, or campus-level performance. **See Section 4 below for potential federal tax implications.**

Sec. 3.3. Gift.

An item given as a gesture of goodwill or appreciation, or in recognition of, or in connection with a holiday season or significant life event, or some other purpose not specifically related to regular job performance. Examples of significant life events include a wedding, baby shower, birthday, retirement, bereavement, and appreciation week/day for teachers, principals, counselors, secretaries or bosses. **See Section 4 below for potential federal tax implications.**

Sec. 3.4. *De minimis*.

A non-cash award or gift with a value and frequency that is so small that accounting for it would be unreasonable or administratively impractical. *De minimis* benefits must only be provided on an infrequent basis and must be small in amount, less than \$100.00. The IRS has ruled previously in a particular case (CCA 200108042 – Code Sec(s). 132, 02/23/2001) that items with a value of \$100 or more could not be considered *de minimis*, even under unusual circumstances. *De minimis* also considers benefits in the aggregate to the employee. If the entire value of a benefit is too large to be considered *de minimis*, the entire value of the benefit is taxable to the employee, not just the excess over a designated *de minimis* amount. Cash awards, gift cards, and gift certificates are never considered *de minimis* and are not excludable from wages.

Sec. 3.5. Fringe Benefit.

Benefits received in connection with the performance of employee services and included in the employee's income as compensation unless fair market value is paid for them or they are specifically excluded by law.

Sec. 3.6. Occasional.

Occurring, appearing, or done infrequently or irregularly.

Sec. 3.7. Infrequent.

Not occurring often; rare.

Sec. 4. TAX.

Taxation of gifts, prizes, awards is summarized in the three categories below:

(a) Cash and Cash Equivalents.

Cash gifts, prizes, and awards, including gift certificates and gift cards (cash equivalents), are considered supplemental wages and are reportable as taxable compensation, regardless of the dollar amount and beginning with the first dollar. Gifts, prizes, and awards of cash and cash equivalents must be processed through payroll and are subject to federal, state, local, and employment withholding. The gift, prize, or award must also be included in the employee's year-

IPS Enterprises, Inc.
Employee Awards and Gifts Policy

Finance Policy 1.15

end IRS Form W-2.

(b) Non-cash Valued at No More Than \$50.

A gift, prize, or award may be considered a *de minimis* fringe benefit and not taxable compensation to the employee if: 1) it is a non-cash gift or property; 2) it is valued at no more than \$50 and considers benefits in the aggregate to the employee annually; and 3) it is given only on an occasional basis. Please note, the determination of a *de minimis* fringe benefit is based on all of the facts and circumstances surrounding the payment, not simply the dollar amount.

(c) Non-cash Valued at \$50 or More.

A non-cash gift, prize or award valued at \$50 or more is taxable beginning with the first dollar and must be processed through payroll. Such gifts, prizes, and awards are reportable as taxable compensation to the employee, subject to appropriate federal, state, local, and employment tax withholding, and must be included in the employee's year-end Form W- 2.

Sec. 5. Employee Achievement Awards.

In accordance with the Internal Revenue Code, an item of tangible personal property awarded to employees constitutes gross wages subject to federal and state income and FICA taxation, unless such items qualify as an "Employee Achievement Award" recognized under one of the following categories:

- A. An award in recognition of certification;
- B. An award in recognition of length of service;
- C. An award in recognition of safety achievement; or
- D. Various other *de minimis* employee recognition awards.

In accordance with the Internal Revenue Code, IPS Employee Achievement Awards are items of tangible personal property which are:

- Transferred by IPS to an employee for length of service achievement or safety achievement,
- Awarded as part of a meaningful presentation, and
- Awarded under conditions and circumstances that do not create a significant likelihood of the payment of disguised compensation.

Tangible personal property does not include:

- Cash, cash equivalents, gift cards, gift coupons, or gift certificates; or
- Vacations, meals, lodging, theater or sporting event tickets, and stocks, bonds, other securities, and other similar items.

All IPS Employee Achievement Awards shall adhere to the following guidelines:

- **Consistently Applied:** All Employee Achievement Awards given under this policy are awarded under a qualified plan. Such qualified plan awards do not discriminate (in form or in operation) among employees, including in favor of highly compensated employees as to eligibility or benefits. This plan applies consistently to all eligible employees. Further, all

qualified plan awards must be approved by the CEO and shall be posted in advance and available to all IPS staff to view.

- **Significant:** Recognitions shall be tied to significant achievement. At most, only 10% of total eligible candidates shall be selected for recognition for a particular award category in a given year.
- **Limited:** The total cost/benefit of recognition for any of the award categories detailed in this section is limited to \$400 for any one employee in a singular calendar year. An individual may qualify for more than one recognized award; however, any amount of combined recognition benefit received by a single employee which exceeds \$1,600 in a singular calendar year is taxable to the employee.

Sec. 5.1. Certification Achievement Awards.

IDEA recognizes the criticality of our strongest teachers, leaders, and staff members in their respective roles, and wishes to thank them for their extensive commitment to IDEA students.

IDEA teachers certified as meeting the organization-wide criteria for Level 4 or 5 Teacher or Level 4 or 5 Assistant Principal of Operations are included in consideration for Certification Achievement Awards.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to four hundred dollars (\$400).

Sec. 5.2. Length of Service Achievement Awards.

IPS recognizes the long-standing dedication of its veteran employees and wishes to thank them for their extensive commitment to the organization and our mission.

In accordance with the Internal Revenue Code, an award provided to an employee by IPS is considered a Length of Service Achievement Award if such item is awarded at some point after the recipient's first five years of employment with IPS and the recipient has not received a Length of Service Achievement Award at any other point during the current year or any of the prior four years.¹

All IPS employees are included in consideration for Length of Service Achievement Awards. Continuous service is expected for Length of Service Achievement Awards. Any approved periods of absence from work, such as pregnancy, parental, and sick leave, will be included in the calculation of years of service. IPS must either offer the same tangible award to all eligible staff members based on years of service, or offer options among a set of awards up to \$400.

Sec. 5.3. Safety Achievement Awards.

IPS recognizes outstanding achievement in the demonstration and improvement of safety and wellness.

In accordance with the Internal Revenue Code, to be considered for a Safety Achievement Award, an employee must have accrued at least one year of service with IPS. Additionally, the recipient

¹ 20 USC §274(j)(4)(B).

of such item must not be a manager, administrator, or clerical or professional employee.²

At most, only 10% of total eligible candidates for a Safety Achievement Award will be selected for recognition. IPS must either offer the same tangible award to all eligible staff members, or offer options among a set of awards up to \$400.

Sec. 5.4. Other Various Tax-Exempt Awards.

IPS recognizes that the range of accomplishments of its employees is vast and that many valued members of our community meaningfully contribute to our success in ways which may otherwise go unrecognized. Consequently, IPS strives to highlight its best and brightest employees under various other employee recognition programs, as more thoroughly detailed below. Employees recognized under any one or more of the following programs are limited in the total, cumulative amount of benefit received from any such awards to no more than \$50 per employee per calendar year.³

Sec. 5.4.1. Promotion Awards.

IPS recognizes that successful internal promotions enable our ability to achieve high levels of performance as we grow to serve more students in new geographic areas. IPS wishes to recognize both the achievement of the individuals taking on this new level of responsibility as well as the achievement of managers who are coaching and developing IPS staff members for promotion readiness.

To be eligible for a tangible award in recognition of employee promotion, the employee must have been employed in their current role for at least twelve (12) months. Managers may be eligible if their employee is promoted to a role on another team or school and the manager has managed the employee for at least twelve (12) months prior to the promotion.

Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to four hundred dollars (\$400).

In accordance with Section 5, item “D” and Section 4(c) above, promotion awards greater than \$50 are reportable as taxable compensation and must be included in the employee’s year-end Form W-2.

Sec. 5.4.2. Teacher/Employee of the Month Awards.

IPS recognizes outstanding overall achievement of its employees. To be considered for a Teacher/Employee of the Year/Month Award, an employee must:

- a) have accrued at least one (1) year of service with IPS;
- b) not be a manager or administrator; and
- c) be employed as a Lead Teacher.

At most, one (1) team member can be selected for recognition per time period per award type. Using team discretionary funds, team leaders must either offer the same tangible award to all

² 20 USC §274(j)(4)(C).

³ 20 USC §132(e)(1).

**IPS Enterprises, Inc.
Employee Awards and Gifts Policy**

Finance Policy 1.15

eligible staff members or offer options among a set of awards up to fifty dollars (\$50).

Sec. 5.4.3. Core Value Awards.

IPS recognizes exemplary modeling of IPS Core Values to promote positive and productive employee and student culture.

Core Value Awards can be offered annually by team leaders to showcase examples of Core Values in action. To be considered for a Core Value Award, an employee must have accrued at least one (1) year of service with IPS. At most, one (1) team member can be selected for recognition per time period per Core Value. Using team discretionary funds, team leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to fifty dollars (\$50).

Sec. 5.4.4. Campus Achievement Awards.

IPS recognizes exemplary campus-level performance in its annual award ceremony. Campus leaders can confer awards to campus staff as recognition of their role in these campus-wide achievements. Using campus discretionary funds, campus leaders must either offer the same tangible award to all eligible staff members or offer options among a set of awards up to fifty dollars (\$50).

Sec. 6. OTHER AWARDS.

Any non-cash gift, prize or award not listed within Section 5 of this policy must be approved by the CEO. Approved non-cash gifts, prizes or awards will be taxed in accordance with Section 4 of this policy.

Sec. 7. TRAINING AND UPDATES.

The Chief Financial Officer (“CFO”) or designee shall properly train or ensure training is provided to IPS Officers and employees on the requirements of this policy and any administrative procedures adopted to implement this policy. Additionally, the CFO or designee shall keep IPS Officers and employees informed of any changes to this policy and related requirements.

Sec. 8. ADMINISTRATIVE PROCEDURES.

The CEO and/or CFO shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the CEO and/or CFO shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the CEO and/or CFO shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the CEO and/or CFO shall either recommend an amendment to this policy or the Board’s approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

Sec. 9. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on January 15, 2021 and it became effective on January 15, 2021.

**IPS Enterprises, Inc.
Employee Awards and Gifts Policy**


Finance Policy 1.15

Sec. 10. RETENTION.

This policy shall be retained until superseded, expired or discontinued and for five years thereafter.

Sec. 11. CERTIFICATION.

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Employee Awards and Gifts, as originally adopted by the Board on January 15, 2021 which Policy is in full force and effect and has not been revoked or amended.

DocuSigned by:

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Ryan Vaughan, Secretary

Date: January 15, 2021