

**IPS Enterprises, Inc.**  
**Allowable and Prohibited Uses of Funds**

**Finance Policy 1.2**

**Sec. 1. PURPOSE OF POLICY.**

The Board of Directors (the “Board”) of IPS Enterprises, Inc. (“IPS”) shall endeavor to discharge its fiduciary duty to oversee IPS’s finances by providing direction as to the allowable and prohibited uses of funds. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at:

- (a) Texas Business Organizations Code (“Tex. Bus. Org. Code”) Sections 3.101, 22.201, 22.221 and 22.235;
- (b) Texas Property Code (“Tex. Prop. Code”), Chapter 163;
- (c) United States Code, Title 26, §501; and
- (d) Code of Federal Regulations (“CFR”), Title 2, Part 200 and Title 26, Part 1.

This policy shall also track the policies of IDEA Public Schools subject to Board differentiation contained herein or otherwise approved by the IPS Board. Additionally, through this policy, the Board shall address best practices adopted by non-profit corporations.

**Sec. 2. AUTHORITY OVER FISCAL MATTERS.**

Sec. 2.1. Subject to the provisions of Section 4.4 of the IPS Bylaws relating to actions to be approved by the Chief Executive Officer (“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.

Sec. 2.2. 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. PRUDENT PERSON RULE AND FIDUCIARY DUTY.<sup>1</sup>**

Sec. 3.1. In their use of funds, property and other organizational resources, such as established lines of credit and the talents of and time worked by employees and contractors, IPS Officers and employees shall limit their use of funds and property to purposes pertaining to IPS’s charitable and educational purposes and activities, functions, programs, and services that are ordinary and necessary for the conduct of IPS’s mission. Importantly, in their use of funds, Officers and employees shall only incur costs that, by their nature and amount, do not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time that the decision was made to incur the cost. See Sec. 7 of the Controlling Policy.

Sec. 3.2. As fiduciaries, the Board and Officers have an obligation to discharge their duties, including duties as a committee member, in good faith, with ordinary care, and in a manner the

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<sup>1</sup> Tex. Bus. Org. Code §22.221; Tex. Prop. Code §§ 163.004, 163.005 and 163.006.

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Director or Officer reasonably believes to be in the best interest of IPS.<sup>2</sup>

**Sec. 4. ABUSE AND WASTE PROHIBITED.**

In their use of funds, property and other organizational resources, such as established lines of credit and the talents of and time worked by employees and contractors, Officers and employees shall observe the requirements set forth in Sec. 8 of the Controlling Policy.

**Sec. 5. AUTHORITY TO OBLIGATE AND EXPEND.**

As established in the Board's Policy governing the Authorization for the Obligation and Expenditure of Funds (Finance Policy 1.3), Officers and employees shall not obligate or expend any funds without the Board's authorization as set forth in the Adopted Budget, as amended.

**Sec. 6. GENERAL REQUIREMENT.**

Sec. 6.1. Recognizing that it is impractical to list every conceivable allowable use of funds and that a general framework is beneficial in guiding decisions regarding the use of funds, IPS shall adhere to the general requirements set forth in this section prior to and when it obligates and expends funds.

Sec. 6.2. The proposed use of funds:

- (a) Is reasonable in its nature and amount;
- (b) Does not exceed that which a prudent person would incur under the circumstances prevailing at the time the decision was made to incur the cost(s);
- (c) Is ordinary and necessary to achieve the goals and implement the strategies and activities of IPS's charitable and educational purposes;
- (d) Conforms to IPS's documented and established practices;
- (e) Is generally or specifically allowed by applicable state or federal law, rule or other legal authority;
- (f) Is not prohibited by applicable state or federal law, rule or other legal requirement; and
- (g) Complies with Board policy and administrative procedures approved by the Delegates or designee.

**Sec. 7. GENERALLY AUTHORIZED EXPENSES.**

In general, consistent with Sec. 8 of this policy and the Board's Policy relating to the Authorization for the Obligation and Expenditure of Funds (Finance Policy 1.3), IPS is authorized to obligate and expend funds for the following purposes.

- (a) To compensate employees for employment services rendered.
- (b) To pay the interest for short-term loans acquired to compensate employees.
- (c) To purchase equipment, furniture, materials, software, supplies and vehicles.
- (d) To pay for insurance premiums.
- (e) To purchase real property for use by IPS.

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<sup>2</sup> Tex. Bus. Org. Code § 22.221(a).

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- (f) To develop and monitor a system of controls to ensure compliance with state and federal laws and rules.
- (g) To conduct Board meetings and provide Board members with training.
- (h) To procure legal, audit and other professional services necessary for the proper administration and oversight of IPS.
- (i) To conduct pre/post-employment physicals or drug testing and background checks.
- (j) To travel to conduct official IPS business activities, events, and functions.
- (k) For utilities and the maintenance of telecommunication and computer networks and systems.
- (l) For memberships in civic and professional organizations that further IPS's mission.
- (m) For any other purpose, function, activity, program, or service authorized by the Board through the adoption of IPS's annual operating budget and charter instructional plan including any amendments thereto.

**Sec. 8. GENERALLY PROHIBITED EXPENSES.**

In general, IPS is prohibited from obligating and expending funds for the following purposes.

- (a) Any good or service for personal benefit or use.
- (b) Entertainment, including amusement, diversion, recreation, and social activities.
- (c) Fines and penalties levied against individuals.
- (d) Gifts.

**Sec. 9. DOCUMENTATION REQUIRED.**

The CEO and Chief Financial Officer ("CFO") or designee shall prepare or cause to have prepared records for all uses of funds. All recorded uses of funds shall adequately demonstrate compliance with this policy and applicable legal requirements.

**Sec. 10. MONITORING AND OVERSIGHT OF BUDGETARY AUTHORIZATION.**

The CFO or designee(s) shall regularly monitor and oversee the use of funds through the review and approval of purchase requisitions, purchase orders, payment authorizations, travel authorization requests, travel reimbursement forms, receiving reports, itemized vendor invoices and receipts, and any and all other such original record deemed appropriate and necessary to ascertain if a proposed or actual use of funds constitutes an allowable cost. The CFO or designee shall document monitoring and oversight activities.

**Sec. 11. USE OF FEDERAL FUNDS.**

In its use of Federal funds, IPS shall adhere to applicable Federal law stipulating the authorized, permitted and prohibited activities and uses of funds, the regulations set forth in 2 CFR 200, the terms and conditions of the Federal award, and any other applicable requirement.

**Sec. 12. USE OF RESTRICTED PHILANTHROPIC FUNDS.**

If a donor restricts a contribution or IPS implies or states a specific purpose for its fundraising effort(s), the CEO or designee may only use or allow the use of the contribution(s) received for the restricted purpose. See Board Policy relating to Fundraising and Gift Acceptance.

**Sec. 13. USE OF FUNDS FOR SPONSORSHIPS.**

Sec. 13.1. If IPS funds are to be used for a sponsorship relating an activity, event, or function that benefits another organization, IPS shall adhere to the requirements set forth in this section.

Sec. 13.2. The Board shall approve any amount appropriated for sponsorships in accordance with the Board Policy relating to the Authorization for the Obligation and Expenditure of Funds. In doing so, the Board shall first determine whether the proposed sponsorship is appropriate or conducive to the conduct of a nonprofit corporation exempt from Federal taxation. Accordingly, the Board shall require that the Delegates:

- (a) Identify the public purpose, amount, fund source and return benefit to IDEA for the proposed expenditure: and
- (b) Certify that:
  - (1) The legal requirements applicable to the fund source to be used allows and does not otherwise prohibit the proposed expenditure;
  - (2) The proposed expenditure's predominant purpose is to accomplish a public purpose<sup>11</sup> and not to benefit private parties;<sup>12</sup>
  - (3) IDEA shall retain sufficient control over the expenditure to ensure that the public purpose is accomplished;
  - (4) IDEA shall receive a return benefit; and
  - (5) The proposed expenditure shall provide a clear public benefit in return.

Sec. 13.3. Subsequent to the expenditure of IPS funds for the sponsorship approved by the Board, the CFO shall inform the Board, in writing, of the actual use of funds for a sponsorship and of the actual return benefit received by IPS.

Sec. 13.4. Notwithstanding the above, the CEO and CFO may approve any sponsorship amount that is \$200 or less without prior Board review, subject to the Board's final authority to obligate and expend funds.

**Sec. 14. TRAINING AND UPDATES.**

The CFO or designee shall properly train IPS Officers and employees on the requirements of this policy and any administrative procedure(s) 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. 15. ADMINISTRATIVE PROCEDURES.**

The CEO and/or CFO shall prepare and 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 is prohibited from adopting, an administrative procedure

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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 and whereby an amendment to this policy or deviation shall be proposed and adopted.

**Sec. 16. DATE ADOPTED AND EFFECTIVE.**

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on October 22, 2021, and it became effective on October 22, 2021.

**Sec. 17. RETENTION.**

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

**Sec. 18. CERTIFICATION.**

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Allowable and Prohibited Use of Funds, as originally adopted by the Board on January 15, 2021, and as subsequently amended by the Board on October 22, 2021, which said Policy is in full force and effect and has not been revoked or amended.

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Ryan Vaughan, Secretary  
10/27/2021

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Date