

**IPS Enterprises, Inc.
Authorization for Expenditure of Funds**

Finance Policy 1.3

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 authorizing the obligation and expenditure of funds through the initial adoption and subsequent amendment of an annual budget. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at Texas Business Organizations Code (“Tex. Bus. Org. Code”) Sections 3.101, 22.201, 22.221 and 22.235.

Additionally, through this policy, the Board shall address best practices adopted by non-profit corporations. 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 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.
- (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. INITIAL ADOPTION.

In accordance with the policy statements set forth below, the CEO and Chief Financial Officer (“CFO”) shall prepare and recommend an annual budget for IPS as a whole and for certain offices and departments, as established under Sec. 6 of this policy (“Proposed Budget”), for consideration and adoption by the Board. In preparing the Proposed Budget, the CEO and CFO shall include any and all descriptions and amounts for estimated revenues from all sources of funding, both known and anticipated, and proposed expenses for personnel, professional and contracted services, real and personal property, debt service, materials, supplies, and other operating expenses reasonable and necessary for the conduct of IPS’s operations and the furtherance of its mission. The Board shall review and, as necessary, revise the Proposed Budget to adopt a final budget (“Adopted Budget”).

Sec. 4. AMENDMENT.

Sec. 4.1. During the course of the fiscal year, and in accordance with the policy statements set forth in Sec. 6 of this policy, the CEO and CFO shall prepare a proposed amendment to the Adopted Budget (“Proposed Amendment”) to account for any material variances between realized and estimated revenues and actual and budgeted expenses.

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Sec. 4.2. For purposes of this section and in regard to revenues, a material variance is any difference between realized and estimated revenues that is equal to or greater than 10% of the estimated revenues, as amended. For purposes of this subsection, the comparison shall be by major object classification.

Sec. 4.3. For purposes of this section and in regard to expenses, a material variance is any difference between actual and budgeted expenses that is equal to or greater than 10% of the budgeted expenses, as amended. For purposes of this subsection, the comparison shall be at the level of detail as disclosed in the Adopted Budget.

Sec. 4.4. For purposes of this section, the CEO and CFO shall prepare a Proposed Amendment for an affected line item as presented to and adopted by the Board in the Adopted Budget or a Proposed Amendment. The CEO or CFO shall submit Proposed Amendments to the Board for review and approval.

Sec. 4.5. Prior to the conclusion of the fiscal year, the CEO or CFO shall prepare a final Proposed Amendment to the Adopted Budget, as amended, to account for all unfavorable, material variances between actual and budgeted expenses. For purposes of this subsection, and for the specific line item authorized by the Board, “unfavorable” means that actual expenses exceed budgeted expenses, as adopted, and amended by the Board, and “material” means that the variance exceeds 10% of the budgeted expenses, as adopted and amended by the Board.

Sec. 5. AUTHORITY TO OBLIGATE AND EXPEND.

The Adopted Budget, as amended, constitutes the Board’s authorization to IPS to obligate and expend funds. IPS shall not obligate or expend any funds without the Board’s authorization as set forth in the Adopted Budget, as amended.

Sec. 6. FORM AND CONTENT OF BUDGET AND AMENDMENTS.

Sec. 6.1. The Proposed Budget and all Proposed Amendments to the Adopted Budget presented by the CEO and CFO to the Board shall conform to the requirements set forth in this section.

Sec. 6.2. The CEO and CFO shall prepare the Proposed Budget and Proposed Amendments and providing sufficient itemization to provide meaningful financial information to make an informed decision. In the Proposed Budget, except for net assets (or fund balance), the CEO or CFO shall exclude any amounts set aside for future use without a specific purpose in mind and not include any amounts that do not constitute anticipated expenses.

Sec. 6.3. The CEO or CFO shall prepare a Proposed Budget and Proposed Amendments that include an adequate and sufficiently descriptive disclosure of the proposed expenses for:

- (a) salaries, wages and fringe benefits, including allowances, awards, gifts, incentives of any kind, and any form of monetary or in-kind benefit, both taxable and tax-exempt and irrespective of value;
- (b) professional services, subject to state law;
- (c) public works and construction services contracts subject to state law;
- (d) supplies, materials, travel, non-employee incentives, and other operating costs;
- (e) debt service;

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- (f) the acquisition of capital assets, other than for public works; and
- (g) any other type of activity, cost, expense function, program, or service required by the Board.

Sec. 7. ACCURACY OF REVENUE ESTIMATE.

Recognizing the critical significance of an accurate revenue estimate upon which to make an informed decision as to the amounts to be appropriated for expenses in the Adopted Budget, the CEO and CFO shall prepare a revenue estimate that is found to be within 10% of IPS's realized revenues.

Sec. 8. PROPOSED EXPENSES TO COMPLY WITH ALLOWABLE USES OF FUNDS.

The CEO and CFO shall prepare a Proposed Budget and Proposed Amendments that include proposed expenses that comply with applicable Board policy and state and federal law and are not prohibited as to purpose, for an activity, function, program, or service or for the purchase of a particular item or service.

Sec. 9. TRAINING AND UPDATES.

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 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. 10. 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 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. 11. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on March 25, 2022, and it became effective on March 25, 2022.

Sec. 12. RETENTION.

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

Sec. 13. CERTIFICATION.

The Undersigned, being the Secretary of IPS, hereby certifies that the foregoing represents a true copy of the Board Policy relating to IPS Allowable and Prohibited Use of Funds, as originally adopted by the Board on January 15, 2021, revised on March 25, 2022, which Policy is in full

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force and effect and has not been revoked or amended.

DocuSigned by:

Anthony Vaughan

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Anthony Ryan Vaughan, Board Secretary

3/29/2022

Date