

Sec. 1. PURPOSE OF POLICY.

Through this policy, the Board of Directors (“Board”) of IPS Enterprises, Inc. (“IPS”) shall address the legal requirements contained in the following laws and rules:

- (a) Texas Business Organizations Code (“Tex. Bus. Org. Code”); and
- (b) Code of Federal Regulations, Title 2 (“2 CFR”), Part 200.

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. DEVELOPMENT OF MONTHLY FINANCIAL STATEMENTS AND BUDGET AMENDMENTS.

Sec. 3.1. Except for the first and last month of the fiscal year, the Chief Financial Officer (“CFO”) or designee shall prepare and provide unaudited financial statements to the Board within ten business days after the end of each calendar month. The Board Chair may grant extensions as appropriate and necessary.

Sec. 3.2. As appropriate and necessary and consistent with Board policy governing the annual operating budget, the CFO or designee shall prepare amendments to the budget adopted by the Board. No obligation of funds or expenditure may be made prior to the Board’s budget approval or approval of a budget amendment.

Sec. 3.3. Within 15 business days after the end of each calendar month, the CFO or designee shall prepare and provide to the Board a sufficiently detailed report disclosing, **without exception**, any and all:

- (a) Business arrangements and transactions with an Officer and any conflicted, interested, or related party;
- (b) Transfers of revenues and/or expenses between any departmental budget;
- (c) Instances of a corporate charge or credit account cardholder who failed to comply with applicable Board policy and administrative procedure relating to IPS’s corporate charge or credit accounts and who incurred prohibited expenses,

- including the amount(s) that the cardholder refunded to IPS or that the cardholder was required to pay from personal funds and any penalty and/or interest incurred by IPS;
- (d) Purchases of property and/or services that did not conform to the Board's policy on purchasing; and
 - (e) Observed noncompliance and weaknesses in internal controls, regardless of materiality.

Sec. 4. BOOKS AND RECORDS OF THE CORPORATION.

The CFO, on behalf of IPS, shall maintain financial records in accordance with generally accepted accounting principles. The Board is required to prepare or approve an annual financial report for the preceding year. The report must conform to accounting standards as adopted by the American Institute of Certified Public Accountants and must include:

- (a) A statement of support, revenues, and expenses;
- (b) A statement of changes in fund balances;
- (c) A statement of functional expenses; and
- (d) A balance sheet for each fund.¹

The CFO shall keep records, books, and annual reports of the corporation's financial activity at IPS's registered or principal office in Texas for at least three years after the close of the fiscal year. Unless exempted under Tex. Bus. Org. Code § 22.355, IPS shall make the records, books, and reports available to the public for inspection and copying at IPS's registered or principal office during regular business hours. IPS may charge a reasonable fee for preparing a copy of a record or report.²

Sec. 5. IRS FILINGS.

In accordance with the Internal Revenue Code and Treasury Regulations, IPS shall file a Form 990 annually on or before the date due. Additionally, IPS shall file Form 941s quarterly on or before the dates due. The 990 and 941s shall be presented to the Board for review and approval before filing.

Sec. 6. ANNUAL AUDIT.

Sec. 6.1. Annual and Interim Audits.

Sec. 6.1.1. In accordance with applicable state and federal law, accounting standards and best practices for nonprofit oversight, IPS shall either be audited in consolidation with IDEA Public Schools, or if not pursuant to applicable standards, IPS shall procure the services of a certified public accountant and qualified auditor to conduct an annual, independent audit of its financial statements, the financial and programmatic operations of IPS, and the accuracy of the fiscal information and to provide an opinion on the financial statements and issue a report on internal control over financial reporting and on compliance and a report on compliance for major programs and on internal control over compliance.

¹ Tex. Bus. Org. Code § 22.352.

² Tex. Bus. Org. Code § 22.353.

**IPS Enterprises, Inc.
Financial Reporting**

Finance Policy 1.5

Sec. 6.1.2. The independent auditor shall:

Be associated with a CPA firm that has a current valid license issued by the Texas State Board of Public Accountancy;

Be a CPA with a current valid license issued by the Texas State Board of Public Accountancy; and

Adhere to the generally accepted auditing standards (GAAS), adopted by the American Institute of CPAs (AICPA), as amended, and the generally accepted government auditing standards (GAGAS), adopted by the U.S. Government Accountability Office, as amended.⁵

Sec. 6.1.3. The CPA firm required under Sec. 7.2.1(a) of this policy must:

Be a member of the AICPA Governmental Audit Quality Center (GAQC);

Adhere to GAQC's membership requirements; and

Collectively have the knowledge, skills, and experience to be competent for the audit being conducted, including thorough knowledge of GAGAS and:

Charter Management Organization, Management Company, nonprofit and the public charter school environment.

Sec. 6.2. Accounting Policy.

Consistent with GAAP, IPS shall observe the following accounting policies:

Cash equivalents. For financial statement purposes, IPS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Notes receivables. IPS considers notes receivable from IPS graduates enrolled in a post-secondary educational program to be fully uncollectible. Accordingly, IPS shall record an allowance for doubtful accounts for financial statement purposes.

Restricted support. IPS shall report restricted support as temporarily restricted regardless of whether or not the restrictions are met within the same fiscal year.

Amortization and depreciation expense. IPS shall record amortization and depreciation expense using the straight-line method and the useful life of the asset or the estimated useful lives for each asset class established in the Board's Capital Assets Policy.

The Delegates or designee may recommend for adoption such other accounting policies as the Delegates or designee deems appropriate and necessary. These shall be reviewed by the Finance Committee and approved by the Board. In this adoption process, the Delegates or designee may consult with IPS's independent auditor or another CPA. At the Board's discretion, the Board may review any accounting policy recommended for adoption by the Delegates or designee under this subsection and may approve or disapprove said policy.

Sec. 6.3. Board Approval.

The Board shall review and approve, or disapprove, the content of the annual financial and

compliance report before it is submitted to the TEA. If the Board disapproves the content of the report, the Board shall state its disapproval, including the reason(s) for disapproving the report's content, in writing to the TEA.

Sec. 7. 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. 8. 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. 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.

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 Financial Reporting, 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