



Acton Chinese Language School
P. O. Box 2239
Acton, MA 01720-6239

ACTON CHINESE LANGUAGE SCHOOL FINANCE POLICY

Version 2.0

Approved by Board of Directors on
November 11, 2006

1 General

1.1 Establishment and Revision of Finance Policy

- 1.1.1 ACLS administration and finance committee of the ACLS board drafted this policy; the ACLS board approved the policy on 11/11/2006.
- 1.1.2 Revision of this policy can be made with recommendations from the administration or finance committee, all revisions must be approved by the board to become effective.

1.2 Transparency of School Finance

- 1.2.1 Management of ACLS fund must be open and transparent.
- 1.2.2 Each academic year, the school must report the state of school finance to parent meeting.
- 1.2.3 School administration must file tax returns and fulfill all other financial reporting requirements as required by law. The principal has the sole responsible of this duty; director of finance and accountant shall implement the procedure.

1.3 Fund Categories

- 1.3.1 The ACLS fund has two distinct fund groups: ACLS long-term development fund and ACLS operating fund.
- 1.3.2 Long-Term Fund. ACLS long-term fund comes from the operating fund surplus, donations, grants, and fundraising. ACLS long-term fund shall be used for projects and facilities of long-term nature. The board is solely responsible for the

growth, appropriation, and management of the long-term fund. Any major project shall be approved by the parent council or at parent meeting.

- 1.3.3 Annual Operating Fund. The primary source of the ACLS operating fund is student tuition and shall be used for regular school operations. The principal shall have the sole responsibility to manage the fund and must maintain positive account balance. Director of finance and accountant are responsible for daily management of the fund, subject to the supervision and audit of the ACLS board.

2 Long-term Funds

2.1 Management

- 2.1.1 Long-term fund shall have its own accounts and they shall be supervised by the board. Finance committee has the responsibility to manage the fund.
- 2.1.2 The finance committee shall report to the board the income generated by the long-term fund at the last board meeting of each semester.
- 2.1.3 The long-term fund shall be invested in safe financial instruments, it should not be invested in financial instrument with market risk.

2.2 Source of the Fund

- 2.2.1 Surplus of operating fund: within three months of each academic year, the principal shall reconcile the operating fund and transfer any surplus to the long-term fund account in collaboration with finance committee. The principal shall summarize and report to the board of significant financial activities.
- 2.2.2 Donation: Other than donations with restrictive use conditions, all other donations shall be deposit to the long-term fund account.
- 2.2.3 Fundraising:
- 2.2.4 Grant application: The board should organize various activities to encourage grant applications in order to grow the long-term fund. Special award can be given to people with significant contributions.

2.3 Expenditure

- 2.3.1 Routine use: If deficit occurs in operating budget, the finance committee shall assist the principal to determine the amount needed to address the budget deficit. With the approval of the board, specified amount shall be transferred from long-term fund to operating fund.
- 2.3.2 Other than routine use, the ACLS long-term fund shall be limited to long-term development projects or facilities.

- 2.3.3 Other than routine use, the board can approve expenditures below \$10,000, expenditures between \$10,000 and \$20,000 shall be approved by both the board and parent council, expenditures greater than \$20,000 need the approval of general parent meeting.
- 2.3.4 Under emergency situation, when a long-term fund account needs to be closed, the board must discuss and propose a process to liquidate the assets. The proposal must be approved by the general parent meeting.

3 Operating Funds

3.1 Funding Source

3.1.1 Tuitions

3.1.1.1 Type

ACLS Courses include Chinese language and culture classes. Adult classes all belong to culture classes. Tuition rates are classified as children and adults. In general, adult tuition rate should not be lower than child tuition rate.

- 3.1.1.2 Tuition increase shall be proposed by the principal and approved by the board. The rate of increase should not exceed 5% annually in principle.

3.1.2 Book fee

3.1.3 Advertisement fee

3.1.4 Sponsorship fee

3.1.5 Donation

- 3.1.6 Grants must be used for its intended purpose. Grants designated for administration or teaching must be included in the operating budget. School administration shall take an active role in applying for grants to assist the education activities in the school.

3.2 Management Principles

- 3.2.1 The principal has the sole responsibility of the operating fund. School budget should be without deficit. Director of finance and accountant have day-to-day responsibility of managing the fund.

3.2.2 Budget

The principal shall provide written proposal for the upcoming academic year to the board within one month of (prior to) the first day of class. Within three weeks of the start of the academic year, the principal shall report to the finance committee the actual student enrollment, teacher count, and number of classes offered so that the accuracy of the budget can be assessed.

3.2.3 Reporting

Before the end of each academic year, school administration shall summarize the financial results (unaudited). In collaboration with finance committee, all surplus shall be transferred to the long-term fund. The results shall be reported to parent council, parents, teachers, and students.

3.2.4 Review and Audit

Within two months of the end of each academic year, the principal, director of finance, and accountant shall provide a comprehensive report on the operating revenues and expenses. The report must be subject to review or audit by the finance committee or external auditing body according to applicable regulations and reported to the board. If extraordinary circumstance prevents the administration from completing the review or audit process, the administration shall request from the board an extension with explanation (Massachusetts state regulation: business with annual operating budget exceeding \$150,000 must be reviewed by independent financial service firm; business with annual operating budget exceeding \$250,000 must be audited by independent financial service firm).

3.2.5 Regular Update

At each regular board meeting, the principal and director of finance shall provide a report on revenues and expenses, operating fund balance, projected and actual income/expense comparison, and any future plans.

3.3 *Budget Items*

3.3.1 Salary

3.3.1.1 School administrative staff and teachers are classified into salaried employee and uncompensated volunteers.

3.3.1.2 Salary budget: the total salary amount for all school staff (including principal's salary) must be included in annual budget and approved by the board.

3.3.1.3 Salary structure: salaried employee's salary consists of base salary and service-year salary. Service-year salary is calculated using consecutive years of service (maximum 10 year), each service-year credit shall not exceed 5% of the base salary.

3.3.1.4 Salary determination: The principal determines the salary of each salaried employee in general. The finance committee shall approve salary level that deviates 20% or more from the average or 10% or more from the current salary. Salary of the principal shall be recommended by the finance committee and approved by the board.

3.3.1.5 Bonus: The principal determines the salary of teachers and all administrative staff (except for the principal). The finance committee must approve the bonus

plan if the total bonus exceeds 16% of the total salary or bonus exceeds salary for an individual. Bonus of the principal shall be recommended by the finance committee and approved by the board.

- 3.3.1.6 The principal and principal appointed salaried administrative staff and teachers must have valid social security number and employment authorization. The principal and administrative staff responsible for hiring shall exercise their best judgment to prevent any violations of the employment law.
- 3.3.2 Rent
- 3.3.3 Equipment
- 3.3.4 Office Supply
- 3.3.5 Activities
- 3.3.6 Teaching equipment and supplies
- 3.3.7 Training and workshop: The principal shall be responsible for budgeting the expenses of training and workshop, subject to approval of the board.

3.4 *Expenditure within the budget*

- 3.4.1 The principal shall pay salary and bonus of all administrative staff and teachers based on the budget. The board determines the bonus level for the principal and uses money within budget to pay for the bonus.
- 3.4.2 The principal must seek finance committee approval if the bonus level for teachers and administrative staff exceeded by 10% or more of the budgeted level.
- 3.4.3 The principal shall approve all checks issued and director of finance and accountant will issue the checks:
For check amount below \$1000, either director of finance or accountant can sign the check once the principal authorizes the expenditure.
For check amount above \$1000, both director of finance and accountant must co-sign the check if the principal authorizes the expenditure.
- 3.4.4 The director of finance and accountant shall safe-guard the bank ATM card. Any cash withdraw must be authorized and signed by the principal.
- 3.4.5 Reimbursement of expenditure within budget:
For below \$100 expenses, approval signature from the principal, vice principal, or person designated by the principal is required.
For expenses between \$100 and \$200, approval signature from the principal or vice principal is required.

For expenses between \$200 and \$500, approval signature from the principal is required.

For expenses above \$500, approval signatures from both the principal and vice principal are required.

- 3.4.6 Director of finance and accountant shall prepare financial report in a timely manner. Financial report and bank monthly statement shall be submitted to the principal and finance committee at each regular board meeting. The board has the right to seek explanations of any school financial activities.
- 3.4.7 The principal shall inform the vice principal of any financial activities exceeding \$500.

3.5 *Expenditures Outside Budget*

3.5.1 Expenditures outside budget shall be handled according to the following guideline:

Expenditure below \$300, the principal has the authority to approve.

Accumulative expenditure of this nature shall not exceed \$600 each semester.

Expenditure between \$300 and \$500, the finance committee must be informed and the principal has the authority to approve. No more than one such expenditure shall be allowed each semester.

Expenditure between \$500 and \$1000, the finance committee approval is required.

Expenditure exceeding \$1000 must be approved by a simple majority vote of the board.

Approved by ACLS Board on November 11, 2006.