



Innovations
Public Charter School

Financial Management Policy and Procedures

Date Originally Adopted: 9/05/2014
Revisions:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation: Innovations Public Charter School (IPCS), in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 — Basic Financial Statement — Management's Discussion and Analysis — for State and Local Governments* engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the Enterprise Fund.

Method of Accounting: IPCS uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles in the United States of America. Under this method of accounting, revenue is recognized when earned, contributions are recognized when received and expenses are recognized when incurred. Grants and contributions are recognized when all eligible requirements are met.

Pursuant to GASB Statements No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, IPCS has elected to apply the provisions of all relevant pronouncements of *Financial Accounting Standards Board (FASB)* that do not conflict with or contradict GASB pronouncements.

Capital Assets: IPCS capitalizes all furniture and equipment with a useful life greater than one year with a value of \$5,000 and greater. Capital assets are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

Cash and Cash Equivalents: For the purpose of the *Statement of Net Assets* and the *Statements of Cash Flows*, IPCS considers all short-term investments with an original maturity of three months or less to be cash equivalents. From time to time the cash balances exceed FDIC insured levels, management has evaluated this and determined the risk is minimal.

Accounts Receivable: Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. Accounts receivable are written off when deemed uncollectible.

Operating Revenue and Expenses: Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include Federal and State grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income Taxes: Innovations Public Charter School is an instrumentality of a governmental unit and is not subject to income tax under the provisions of Section 115(1) of the Internal Revenue Code of 1954. Contributions to instrumentalities are deductible under Section 170(c)(1) of the Code.

Use of Estimates: The preparation of financial statements for IPCS is in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.