

## SCHOOL FINANCES

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### **3.00 FINANCIAL POLICY**

#### **3.05 VALUE STATEMENT**

AISB and the Board will ensure that the School is dedicated to excellence and will be committed to value for money management and delivering the highest standard as efficiently as possible. Part of this approach shall be reflected in the financial policies and practices, including but not limited to, review for tendering all significant suppliers/ service providers at the minimum of every three years under the supervision of the Finance Committee. The detailed Financial Policies and Procedures (FPP) are specifically issued in a separate document, which supports the Administration, Director, Finance Committee and Auditors in the necessary compliance with their respective fiduciary roles and responsibilities. In the event of any conflict, then the Policy Handbook will take precedence, and override, the Financial Policies and Procedures separate document.

*(Amended May 18, 2010)*

#### **3.10 BUDGET PROCESS**

#### **3.11 FISCAL YEAR**

The School's fiscal year shall be August 1st - July 31st.

#### **3.12 BUDGET PREPARATION**

The Director prepares the draft budget for the review of the Finance Committee.

#### **3.13 FUNCTIONING REPORTING CURRENCY**

The School's functional and reporting currency will be the US Dollar.

#### **3.14 FOREIGN EXCHANGE RISK MANAGEMENT**

The School will ensure against financial risk arising from foreign exchange exposure on all known foreign exchange obligations. In order to do so, the Board mandates the following:

1. Appropriate risk mitigating actions, which may include forward purchase/sale foreign currency contracts, options, spot rate purchases as appropriate, must be taken for all foreign currency obligations above USD 10,000 (ten thousand U.S. dollars) as soon as they are known and/or approved by the Board. The type of action taken to mitigate foreign exchange risk will be based on what is most cost-effective for the school, without increasing risk.
2. Board approval is required for all foreign currency purchase/sale transactions of USD 100,000 (one hundred thousand U.S. dollars) or more.
3. The risks arising from the foreign currency obligations associated with the Operational and Building & Facilities (B&F) budgets must be exchanged at the earliest possible date and time after the Board approves the budgets and exchange rate.
4. For the purposes of approving the Operational and B&F budgets, the Board-approved exchange rate for any given fiscal year will be set in December for

the following year and include trending from two or more named banking institutions, as recommended by the Finance Committee.

5. The Administration is then permitted to exchange no more than the equivalent USD to cover the budgeted amount only where the effective exchange rate is the same, or better than the latest Board approved rate.
6. The Administration will submit a monthly report on all new and outstanding foreign currency purchase / sale contracts to the Finance Committee, who will then present it to the Board.

*(New: November 2008)*

### **3.15 ANNUAL OPERATING BUDGET**

The measure against which the financial performance of the School will be measured and monitored is its budget.

Fulfillment of the budget is evidence of the School Director's knowledge of the School's financial operations and operating environment, and of his ability to plan and execute business decisions.

Procedures must be implemented to support proper forecasting and budgeting. The School Director must require that each of the School's Budget Holders, supported by the Business Manager, prepare and present an annual, calendarized budget.

The draft budget will be made up of three component elements:

- a) Operating Budget – the day-to-day operations of the School
- b) Building and Facilities Budget – the operation and maintenance of the facilities, from which the School will operate.
- c) A cash flow forecast should be produced to show that the School could operate within the funding facilities that it has access to.

Any surplus or deficit arising from the Operating and Building & Facilities Budgets will be added to, or financed from, the Operational Reserve Fund.

The Finance Committee based on the Director's draft budget submits a proposed budget to the Board in time for full review at the December Board meeting and final approval not later than April of the preceding academic year

The Budget will be reviewed by the Board in October each year and revised if necessary. It may additionally be reviewed at other times if circumstances warrant.

The Board will thoroughly review the plan; comparing forecast with past results, and agree upon a final budget.

The Budget Holders will have the same responsibility to the School Director to attain the budget, as the School Director has to the Board in respect of the entire operation.

a) Operating Budget

Will consist of the following key components:

INCOME

10	Tuition
20	Registration
30	Grants
40	Hungarian State Subsidy
60	Interest
70	Facilities Rent
90	Other

EXPENDITURES

100	Administration
200	Administration - Other
300	Instructional Personnel
400	Instructional Materials
500	Activities
600	Plant Operation
800	Other Expenses

b) Building & Facilities Budget

Will consist of the following key components:

INCOME

80	Building Fee
81	Interest

EXPENDITURES

Computer and Capital items
Building improvement
Loan Capital reimbursement
Loan interest payments
Interest Rate Support Fund
Property construction/improvement

*(Amended May 2010)*

### **3.16 OPERATIONAL RESERVE FUND**

The School shall generate and maintain an operational reserve fund at least equivalent to twenty percent (20%) of the annual operating expenses, in accordance with Accreditation guidelines. (Amended August 27, 2003)

The purpose is to ensure that funds are available for unforeseen emergencies.

### **3.17 BUILDING AND FACILITIES BUDGET**

The School will generate a Building and Facilities Budget ("Building Budget"), which will be accounted for separately from the Operating Budget (Operating Budget and Building Budget together will be referred to as the "Budget").

*(Amended November 13, 2001.)*

## **INCOME**

- Building Fee
- Interest
- Other

## **EXPENDITURES**

- Purchase of land or building
- Erection of new School building
- Extending, enlarging or making capital improvements to the existing facilities
- Equipment

### **3.18 BUDGET REVIEW**

The Budget will be reviewed by the Board in October each year and revised if necessary. It may additionally be reviewed at other times if circumstances warrant.

### **3.19 INTERNAL BUDGET**

The Director has the authority to shift Budget expenditure items within main categories.

### **3.20 FINANCIAL STATEMENTS**

The Director presents a monthly financial statement covering the Budget to the Finance Committee. In turn, the Treasurer will present a report at each Board meeting.

### **3.21 CAPITAL ITEMS**

#### **3.21 CAPITAL ITEMS**

Only items worth more than \$2,500 (Two Thousand and Five Hundred dollars) per unit should be capitalized. Instructional and library books are charged as expense items. The Director will maintain a list of capital items. All capital items will be depreciated as follows:

- Buildings, over fifty (50) years - straight line;
- Plant, Equipment, Fixtures & Fittings, over ten (10) years - straight line,
- Computers hardware & software, five (5) years - straight line,
- School vehicles, five (5) years - reducing balance

*(Amended May 2010)*

### **3.30 BANKING**

#### **3.31 BANK ACCOUNTS**

Bank accounts shall be opened after approval by the Board. The Director shall ensure that a reconciliation of bank accounts is completed by the School's auditing firm in December or January in addition to the annual audit.

#### **3.32 AUTHORIZED SIGNATURES**

Two (2) signatures will be necessary on all checks and bank transfers, including transfer of funds between School accounts.

Signatories are

1. The Chair;
2. The Director; and
3. Maximum four (4) voting Board members appointed by the Chair.

The Board may also appoint the Business Manager as signatory for checks under \$10,000 (Ten Thousand dollars), except of payment or reimbursement to him/herself or to members of his/her family, notwithstanding the two (2) signatures requirement.

The Director is authorized to sign all checks except those of payment or reimbursement to him/herself or to members of his/her family, notwithstanding the two (2) -signature requirements.

One authorized signatory or the bookkeeper will be necessary for the endorsement of checks for deposit into a School account.  
*(Amended April 2010)*

### **3.33 DEPOSITORY OF FUNDS**

The Finance Committee will monitor the yield on all School investment accounts and ensure that the School's funds are invested securely and yield an appropriate return under the circumstances. Funds will not be invested in price-risk sensitive assets.

### **3.34 OWNERSHIP OF ACCOUNTS**

All bank accounts, deposit certificates and any other authorized deposit facilities shall be in the name of the American International School of Budapest or the American International School of Budapest Foundation.

### **3.40 FEES AND OTHER INCOME**

#### **3.41 FEES**

The Board determines:

1. The annual tuition fee;
2. The one time registration fee charged to new Students; and
3. The annual building fee.

Students attending for less than twenty (20) School Days will be charged fifty percent (50%) of the annual building fee.

#### **3.42 PAYMENTS**

Fees are set and payable according to the schedule approved by the Board each year. Fees are payable in US Dollars.

### **3.43 LATE PAYMENT TUITION**

Students whose tuition has not been paid in a timely manner will be suspended from attending School. A late payment interest charge will be assessed at a level determined by the Finance Committee at the beginning of each academic year.  
(Amended: January 16, 2002)

### **3.44 REDUCTION OF TUITION**

Tuition fee refunds calculated for the semester will be pro-rated according to the following schedule for Students not attending a full semester:

- |                       |                     |
|-----------------------|---------------------|
| 1. From 1 to 20 days  | 30% of tuition due  |
| 2. From 21 to 30 days | 40% of tuition due  |
| 3. From 31 to 41 days | 60% of tuition due  |
| 4. From 42 to 52 days | 80% of tuition due  |
| 5. From 53 + days     | 100% of tuition due |

In the event of a forced closure of the School for any reason, tuition fees for the remainder of the academic year will be reimbursed on a prorated basis after all other financial obligations have been met.

### **3.45 CHILDREN OF FACULTY**

Children of full and part-time Faculty members, the latter on a pro-rated basis, will be admitted to the School on a "no fee" basis provided that the employer or the spouse of the eligible member is not reimbursed by his/her organization for the School fees. Where any reimbursement is made the Faculty member shall pay an amount equal to the reimbursement toward the total School fees that would be due.

### **3.46 FUNDRAISING**

In accordance with the School's Values and the Board's responsibility to provide financial leadership in all matters, the Board will uphold the following principles and policies with regards to fundraising:

1. The School is committed to maintaining a balanced Budget for its Operational and B&F expenses, based on tuition and fees as its primary source of income and does not maintain a Development office engaged in targeted fundraising.
2. The School will only engage in fundraising within the School community, and only for school-approved charities, or to support the learning objectives of AISB students, or the needs of the School community as approved by the Director, the Student Council or the Parent School Association, and within limits approved by the Director and/or the Board, as required in 3.46.3 and 3.48.3.
3. Solicitations for funds made in the name of the School or any of its organizations must have the Director's approval. The Board must approve any solicitations, canvassing, and fundraising drives that have a goal of \$5,000 (five thousand dollars) or more.
4. To avoid potential conflicts of interest, members of the School community, including Students, Parents, Board members, and members of the Faculty,

Administration and Staff, may not engage in personal fundraising initiatives that use the School as a platform to solicit donations from members of the school community, or use the School's name or logo in personal communications that solicit funds, without prior approval from the Director or the Board. For the purposes of this policy, the School defines a "personal initiative" as any action taken by an individual without the official support and approval of the School and regardless of whom the initiative benefits.

5. The School will endeavor not to expose students to commercial interests or advertising without a compelling reason and without prior approval from the Board.

*(Amended: June 9, 2009)*

### **3.47 AID AND GRANTS TO THE SCHOOL**

For the purposes of this policy, the Board defines "Aid" as "a financial or material contribution to an organization to fulfill a substantial or compelling need," and "Grant" as "the giving of funds for a specific purpose," such as Government Department grants.

The Board may choose to accept funds from other sources, unless there is reason to believe that the conditions of acceptance may limit the School's autonomy, or in any way adversely affect the School, and only if the acceptance of such funds does not contravene the Board's approved fundraising principles as stated in 3.46.

*(Amended: June 9, 2009)*

### **3.48 GIFTS, DONATIONS, AND BEQUESTS**

For the purposes of this policy, the Board defines a "Gift" as "something that is not solicited and is bestowed voluntarily and without compensation;" a "Donation" as "a contribution to a charitable fund or cause;" and a "Bequest" as "an act of giving property by will, or by passing on to another."

The Director may accept on behalf of and for the School any bequest or gift for any purpose deemed to be suitable, provided the acceptance and use of such gifts or bequests do not contravene the School's values, or any of the principles stated in this policy, including the following:

1. The School will not make requests for donations outside of the Parent community without prior approval by the Board.
2. The School will not burden the Parent community with excessive requests for donations.
3. The Board must approve gifts or bequests of a value greater than \$3,000 (three thousand dollars).
4. As a non-profit organization, the School will require that all gifts, donations and bequests be given freely and unconditionally without any commercial or material agreement that could be construed as a conflict of interest, or as giving rise to a commitment from AISB, or as conferring rights to the donor. A signed Donor Declaration provided by the School must accompany all donations.

5. Although the School will not refuse voluntary donations from Hungarian taxpayers under the Hungarian government's 1% tax donation law, it will encourage its stakeholders to make use of the 1% law to support the School's approved charities.

*(Amended: June 9, 2009)*

### **3.50 ACCOUNTING AND REPORTING**

#### **3.51 ACCOUNTING SYSTEMS**

The Finance Committee must approve the computerized accounting system.

#### **3.52 DIRECTOR'S EXPENSES**

The Treasurer must approve all expense reports of the Director.

#### **3.53 AUDITS**

The Board shall, on a five (5) year basis, engage an authorized public accountant or firm of authorized public accountants to make an annual examination of all financial books and documents of the School, and to render its report to the Finance Committee within a reasonable period of time. The Treasurer will then report to the Board concerning the findings of the audit for final approval. This firm shall be expected to provide counsel to the School.

#### **3.54 INSURANCE MANAGEMENT**

The School shall maintain adequate levels of insurance for losses through fire, theft, accidents, liability and other risks as the Board sees fit. The School Director shall determine the appropriate levels and annually review all coverage with the Treasurer or his designate. The following types of insurance shall be carried, in amounts approved by the Board, and it shall be the responsibility of the School Director to see that all necessary policies are in order at all times:

1. Fire, lightning, and weather related causes- buildings owned and buildings permanently used by the School, School contents, and School-owned contents in Faculty's dwellings;
2. Robbery - money, office equipment, School capital items;
3. Fidelity - all employees of the School responsible for handling School funds;
4. Public liability - premises and operations;
5. Statutory liability - automobile (bodily injury, property damage and physical damage to the automobile for replacement value);
6. Personal injury.
7. Any other relevant insurance coverage appropriate to an International School, and its operation

*(Amended May 2010)*

#### **3.55 BONDED EMPLOYEES**

All employees of the School who handle School funds shall be included in a blanket fidelity bond, which will indemnify the School against loss.

### 3.56 FACILITIES USAGE

In accordance with the School's Vision of offering rich and challenging programs for students and the community, and with the Board's responsibility to provide an environment that is conducive to achieving high educational standards, and to oversee fiscal matters pertaining to the overall operation and physical structure of the School, the Board will uphold the following principles and policies with regards to the use of the School's facilities:

1. The School's primary purpose is the education of its students and its priority with regards to the use of the School's facilities is to achieve the School's Mission, realize the School's Vision and promote the School's Values.
2. In addition to this purpose, the Board authorizes the use of the School facilities for enhanced learning, recreational and cultural opportunities for our Students, Faculty and Parents, as a means of strengthening our sense of community.
3. The Board also authorizes the Director to grant the use of the School facilities to select outside organizations for learning, recreational, and cultural activities in order to enhance the School's relationship with the local Nagykovácsi community, and to foster cultural relations between the School community and the people of Hungary, provided that these relationships offer learning opportunities to our Students, or benefits to the School and/or its stakeholders. Use of AISB's facilities by outside organizations can only be granted within the parameters outlined in Sections 5 through 7 of this policy.
4. The School's facilities, as well as the existence of an active, vibrant community, and a varied selection of rich and challenging programs, are considered major competitive advantages that should be promoted accordingly and appropriately. This competitive advantage should be taken into consideration when making decisions about use, primarily as it relates to use by outside organizations, and the need to maintain a level of exclusivity for the members of our School community.
5. Priority of use is granted to the School's stakeholders in the following order:
  - a. Student learning as part of the curriculum;
  - b. Student learning outside the curriculum;
  - c. Faculty, Administration and Parent learning;
  - d. Student, Faculty and Parent recreational and cultural activities;
  - e. Learning, recreational and cultural activities for organizations from the Nagykovácsi village community, within the parameters listed below;
6. The Director must approve use of the facilities by groups or individuals outside of AISB's School community. The Director is responsible for implementing and monitoring an operational decision-making structure for the approval of applications for facilities usage. The Director must consider the following priorities and parameters when approving applications for facilities usage by outside organizations:

- a. Security issues and general safety of all users;
  - b. Protection of the School's assets;
  - c. Liability and Risk Management;
  - d. Scheduling;
  - e. Preservation of AISB's autonomy and ability to fully control its facilities;
  - f. Preserving a level of exclusivity for the School community as a competitive advantage;
  - g. Cost recovery, as detailed in Section 7;
  - h. AISB is a privately-funded, not-for-profit, apolitical, and non-religious organization and reserves the right to refuse to grant permission for the use of its facilities to any individual or group that wishes to use the facilities for commercial use, personal profit, advocating causes or promoting ideologies that conflict with the School's Mission, Vision and Values or that may cause controversy, or for any other reason the School deems appropriate.
  - i. All activities must take place within the parameters of Hungarian law (or the principles within the Government-to-Government Agreement) and safety regulations.
7. The use of the School facilities outside normal school hours for the purposes mentioned above must not incur additional cost for the school. The following fees will, therefore, be charged for the use of School facilities:
- a. Use of facilities for student learning in pursuit of excellence as part of the curriculum, or the After School Activities Program will be made available free of charge;
  - b. Use of facilities for Faculty recreation may be made available free of charge;
  - c. Use of facilities for student learning / recreation that is outside the AISB curriculum and not exclusive to AISB students (e.g. after school national language classes) will be charged at an appropriate cost recovery;
  - d. Use of facilities for parents will be charged at an appropriate cost recovery;
  - e. Use of facilities by approved Nagykovácsi (NK) groups will be charged at cost recovery. All NK groups must be pre-approved by the Mayor's Office per the cooperation agreement between AISB and the village of Nagykovácsi.

*(Revised May 18, 2010)*

### **3.60 SCHOOL VEHICLE REPLACEMENT POLICY**

Vehicles owned by the School as of April 1999 should be replaced when they become six (6) years of age or have 160,000 km (One Hundred and Sixty Thousand) on the odometer. After that, vehicles should normally be replaced after three (3) years providing there is no change in the School's tax-free status. If there should be a change, the subject should be brought before the Board. The vehicles should be replaced with comparable vehicles unless the Board decides otherwise. Replacement of the Director's car should be referred to the Board's compensation committee for approval. *(Amended May 2010)*