



Restoring America's Heritage by Developing Servant Leaders

BOARD POLICY ON EXPENDITURE OF FEDERAL GRANT FUNDS

John Adams Academies, Inc. ("JAA") receives federal grant funding for its public charter schools (John Adams Academy – Roseville, John Adams Academy – El Dorado Hills, and John Adams Academy – Lincoln). This policy applies to all JAA-operated public charter schools, and reflects the requirements of 2 CFR 200.302 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") that JAA have written policies and procedures for determining the allowability of costs in accordance with 2 CFR 200.400-200.475.

Prior to obligating or spending any federal grant funds, the JAA Director of Finance or designee shall determine whether a proposed purchase is an allowable expenditure of federal funds in accordance with 2 CFR 200.400-200.475 and the terms and conditions of the federal grant award. He/she shall also determine whether the expense is a direct or indirect cost as defined in 2 CFR 200.413 and 200.414 and, if the purchase will benefit other programs not included in the grant award, the appropriate share to be allocated to the federal grant.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under federal awards:

- a. The costs are necessary and reasonable for the performance of the program/grant and allocable thereto.
 - i. A cost is *reasonable* if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness, JAA will consider: (i) whether the cost is a type generally recognized as ordinary and necessary for the proper and efficient performance of the federal award; (ii) the restraints or requirements of sound business practices, arms-length bargaining, applicable laws and regulations, and terms and conditions of the federal award; (iii) market comparability; (iv) the obligation of JAA to act in the interests of JAA, its employees, students, the public, and the federal government; (v) JAA's established practices and policies.



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- ii. A cost is *allocable* to a particular federal award if the goods or services involves are chargeable or assignable to that Federal award in accordance with relative benefits received. This standard is met if the cost:
 - 1. Is incurred specifically for the Federal award;
 - 2. Benefits both the Federal award and other work of JAA and can be distributed in proportions that may be approximated using reasonable methods; and
 - 3. Is necessary to JAA's overall operation and is assignable in part to the Federal award in accordance with the Uniform Guidance's principles.

If allocation of such costs cannot be determined in proportion of benefits derived from the cost, then the costs may be allocated based on other reasonable, documented basis. Any cost allocable to a particular federal award under the principles provided for herein may not be charged to other federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or by terms and conditions of the federal awards, or for other reasons. However, this prohibition would not preclude JAA from shifting costs that are allowable under two or more federal awards in accordance with existing federal law or the terms and conditions of the federal awards. (2 CFR 200.405)

- b. The costs should be *consistent* with JAA policies and procedures that apply uniformly to both federally-financed and other activities of JAA. In addition, costs must be accorded consistent treatment: a cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. One cost shall not be included as another cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- c. Costs shall be determined in accordance with generally accepted accounting principles (GAAP) and shall be adequately documented in accordance with the Uniform Guidance.



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- d. Costs shall conform to any limitations or exclusions set forth in 200.400-200.475 or in the federal award as to types or amount of cost items. The Director of Finance or designee shall review and approve all transactions involving federal grant funds and shall ensure the proper coding of expenditures.

The Director of Finance or designee shall develop and implement appropriate internal control processes to reasonably assure that transactions are properly executed, recorded, and accounted for so that JAA can prepare reliable financial statements and federal reports, maintain accountability over assets, and demonstrate compliance with federal laws, regulations, and conditions of the federal award.