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INNOVATIONS ACADEMY CHARTER SCHOOL

BOARD INVESTMENT POLICY

1. PURPOSE

The purpose of this Investment Policy (this “Policy”) is to establish guidelines for the prudent investment of surplus funds held by **Innovations Academy Charter School**, a California nonprofit public charter school (the “School”).

Given the public nature of the School’s funds, this Policy is intended to reflect conservative public-funds investment principles generally applicable to California school districts and local agencies and is intended to ensure:

- Compliance with California Government Code (“Gov. Code”) sections 53600–53609, 53630 *et seq.*, and 53646
- Alignment with Education Code sections 41001–41003
- Protection of public funds consistent with fiduciary duties

The objectives of the School’s investment program, in order of priority, are:

1. **Safety of principal:** Preservation of principal is the foremost goal. Investments must mitigate default risk, credit risk, and market volatility.
2. **Liquidity to meet operational needs:** The School’s investment portfolio must remain sufficiently liquid to ensure the School may seamlessly meet its immediate operational cash flows, payroll cycles, and facility expenses.
3. **Return on investment consistent with legal constraints:** Attaining a competitive market rate of return (yield) is a tertiary goal, pursued only after ensuring absolute safety of principal and meeting cash liquidity needs. This Policy is intended to govern reserve and liquidity management and is not intended to authorize speculative or investment-management activities.

2. SCOPE

This Policy applies to all funds of the School not required for immediate expenditure, including:

- Operating funds and reserves

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- Board-designated reserves
- Facilities and capital reserves
- Restricted funds (to the extent investment thereof is consistent with applicable grant requirements, bond covenants, donor restrictions, contractual obligations, and applicable law)

3. STANDARD OF CARE

Investments shall be made in accordance with the **prudent investor standard** set forth in Gov. Code § 53600.3.

Officers and employees involved in the investment process shall:

- Act in the best interests of the School and its students
- Avoid speculation
- Comply with all applicable laws and this Policy

4. LIQUIDITY AND RESERVE PHILOSOPHY

The Board shall maintain sufficient liquidity to meet anticipated cash flow needs.

As a general guideline, the School shall seek to maintain **liquid reserves sufficient to cover approximately three (3) months of reasonably anticipated operating expenditures and contingencies**, subject to periodic review.

This benchmark:

- Is a minimum planning guideline, not a maximum reserve level
- May be adjusted based on enrollment, funding timing, and risk considerations

5. DELEGATION OF AUTHORITY

5.1 Board Oversight

The Board retains ultimate fiduciary responsibility for the investment of School funds. The Board is responsible for formally approving this Policy, overseeing the Investment Committee, reviewing investment reports, and approving any material revisions to this Policy.

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5.2 Investment Committee – *as part of finance committee without an additional committee?*

The Board may establish an Investment Committee to:

- Oversee implementation of this Policy
- Review investment performance
- Report to the Board

5.3 Administrative Delegation

Day-to-day responsibility, including but not limited to overseeing external advisors, ensuring operational liquidity, and signing off on fund transfers, may be delegated to:

- The School's Executive Director
- The School's Chief Business Officer / Director of Operations - Don't have one
- Board Treasurer?
- ***Paul – finance committee authorized representative (or some thing like that)***

Such individuals shall act strictly in accordance with this Policy and under the supervision of the Board and the Investment Committee.

5.4 External Advisors

The School may retain external advisors only pursuant to a Board-approved written agreement.

Such advisors:

- Shall act in a non-discretionary or limited discretionary capacity consistent with applicable law and this Policy
- Shall act within the exact boundaries of this Policy and act in the best interests of the School consistent with applicable law and this Policy
- Shall not have authority to invest in non-permitted instruments

6. AUTHORIZED INVESTMENTS

The School may invest only in instruments authorized under California Government Code, including but not limited to:

6.1 State and Local Government Pools

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- Local Agency Investment Fund (LAIF) administered by the California State Treasurer (Gov. Code § 16429.1), subject to eligibility and participation requirements
- County Treasurer investment pools, subject to eligibility and participation requirements

6.2 U.S. Government Securities

- U.S. Treasury obligations (Gov. Code § 53601(b) – *e.g.*, U.S. Treasury notes, bonds, t-bills, certificates of indebtedness, or other obligations backed by the full faith and credit of the United States)
- Obligations of federal agencies and United States government-sponsored enterprises (Gov. Code § 53601(f))

6.3 Bank Deposits and Certificates of Deposit

- FDIC-insured deposits
- Collateralized deposits (Gov. Code § 53630 *et seq.*)

All deposits exceeding FDIC insurance limits shall be collateralized in accordance with applicable California law.

6.4 Money Market Mutual Funds

Government money market mutual funds, permitted under Gov. Code § 53601(k), investing primarily in United States Treasury obligations, federal agency obligations, and Treasury-backed repurchase agreements

6.5 Commercial Paper

Commercial paper permitted under Government Code § 53601(g), subject to all applicable statutory rating, maturity, issuer concentration, and portfolio limitations

7. PROHIBITED INVESTMENTS

The School shall not invest in:

- Equities, ETFs, or mutual funds (other than permitted government money market mutual funds)
- Derivatives, options, futures, commodities, or leveraged instruments
- Cryptocurrency or digital assets

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- Hedge funds, venture capital, or private equity investments
- Leveraged or margin transactions
- Short sales or similar speculative trading strategies
- Private placements or non-publicly traded securities
- Real estate acquired primarily for investment or speculative purposes, as distinguished from facilities or property acquired for School operational purposes
- Any instrument not expressly authorized by applicable law or this Policy

The School shall not engage in speculative investment activity or investment strategies primarily intended to achieve capital appreciation through market speculation.

8. PERMITTED INVESTMENT STRUCTURES

To achieve liquidity and diversification, the School may utilize one or more of the following structures:

8.1 Pooled Liquidity Approach

Use of LAIF or county investment pool for core reserves.

8.2 Laddered Maturity Strategy

Use of certificates of deposit or government securities with staggered maturities.

8.3 Segmented Liquidity Buckets

Division of funds into:

- Immediate liquidity
- Short-term reserves
- Intermediate reserves

8.4 Hybrid Approach

Combination of the above strategies.

The foregoing structures are illustrative permitted approaches and need not all be utilized at any given time. Investment maturities and liquidity structures shall be aligned with the School’s reasonably anticipated cash flow needs.

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9. DIVERSIFICATION

The portfolio shall be diversified by:

- Investment type
- Issuer
- Maturity

The School shall avoid excessive concentration in any single financial institution, issuer, or investment type.

Diversification decisions shall prioritize preservation of principal and liquidity over optimization of yield. The School's investment activities are intended for prudent cash management and not for speculative trading or active market timing.

The suitability of investment structures and diversification strategies shall be periodically reviewed based on the School's operational and financial circumstances.

10. MATURITY LIMITS

Unless otherwise authorized by the Board and permitted by law:

- No investment shall have a remaining term to maturity exceeding **five (5) years**
- Average maturity should align with cash flow needs

11. LIQUIDITY REQUIREMENTS

The School shall maintain sufficient liquidity to meet:

- Payroll obligations
- Vendor payments
- Emergency needs

A portion of the portfolio, based on the School's reasonably anticipated operational requirements and contingencies, shall remain invested in highly liquid instruments capable of conversion to cash **within one business day**.

12. SAFEKEEPING AND CUSTODY

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All securities shall be held by an independent third-party custodian and, where applicable, transactions shall be settled on a delivery-versus-payment (DVP) basis.

13. REPORTING

Quarterly reports shall be provided to the Board consistent with the reporting framework set forth in Gov. Code § 53646. Such reports shall include:

- Investment type and issuer
- Maturity dates
- Market value
- Compliance with Policy

Illustrative allocation examples, liquidity structures, or yield assumptions presented to the Board from time to time are intended for informational purposes only and shall not constitute guaranteed returns or mandatory investment targets.

14. ETHICS AND CONFLICTS

All persons involved in the investment process shall comply with applicable conflict-of-interest laws, fiduciary duties, and School policies, including any applicable Statement of Economic Interests filing requirements.

No person involved in investment decisions shall:

- use their position for personal financial benefit;
- engage in self-dealing or seek personal compensation, financial benefit, referral fees, or commissions; or
- participate in investment decisions in which they have a material financial interest.

Participants shall avoid personal business relationships or activities that could impair independent judgment or create the appearance of a conflict of interest in the management of School funds.

Any actual or potential conflict relating to investment activities shall be disclosed promptly to the Board or Investment Committee.

15. POLICY REVIEW

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This Policy shall be reviewed at least annually by the Board of Directors, or more frequently as deemed appropriate.

The review shall consider:

- changes in applicable law,
- the School’s financial condition and operational needs,
- market conditions, and
- the effectiveness of the Policy in achieving its objectives.

Any material amendments to this Policy shall require approval by the Board of Directors. The Investment Committee may provide recommendations to the Board regarding proposed revisions to this Policy.

16. BOARD APPROVAL

This Policy was adopted by the Board of Directors on _____, 2026.