MITCH Charter School

Code: DFAA
Adopted: 7/17
Revised/Readopted: 7/20/23
Orig. Code(s): EBBA

Designated Funds

The Board adopts this policy to designate certain funds to support the financial sustainability and growth of MITCH Charter School and to determine contributions to and spending from these funds. The guidelines for investment of these funds are in the Investment Policy adopted by the Board.

Board Designated Funds

The Board will establish the MITCH Charter School Operating Reserve Fund, Special Projects Fund and the Board-Designated Endowment Fund by board resolution.

A. MITCH Charter School Operating Reserve Fund

The purpose of the Operating Reserve is to fund short-term operating needs of MITCH Pursuant to Board action establishing the fund. The Operating Reserve has an initial funding goal of the Target Reserve Amount to support cash needs for expenses approved in MITCH's annual operating budget. Any distribution from the Operating Reserve for expenses not approved in MITCH's annual operating budget, including expenses related to program expansion, must be approved by the Board of Directors.

Transfers of funds from the Operating Reserve to the MITCH's general operating account may be made as follows:

1. Transfers of funds in the amount of $10,000 or less may be made to fund normal operating expenses with the approval of the executive director. Any such transfers will total no more than $50,000 per calendar year in the aggregate and will be reported to the Board of Directors at the next board meeting following such transfer.

2. Transfers of funds in amounts more than $10,000 may be made to fund normal operating expenses with the approval of both the executive director and Board chair. Any such transfers will total no more than $50,000 per calendar quarter in the aggregate and will be reported to the Board of Directors at the next board meeting following such transfer.

3. Any distribution in excess of $50,000 per calendar quarter requires approval of the Board of Directors.

B. MITCH Charter School Special Projects Fund

The purpose of the Special Projects Fund is to accumulate funds for projects approved by the Board that are not part of normal operations but are aligned with the mission and purpose of MITCH. Donor funds and funds raised through the fundraising program may be included in the Special Projects Fund. Funding requests for special projects or strategic initiatives not contemplated in the annual operating budget must

be approved by the Board of Directors. To obtain such approval, the executive director will submit a request to the Board which will include the following information: a description of the project or initiative, the anticipated duration of the project or initiative, the expected return on investment from the project or initiative, and a plan for monitoring and reporting to the Board regarding the performance of the project or initiative.

C. MITCH Charter School Endowment Fund

The purpose of the Endowment Fund is to maintain financial viability of MITCH both in current operations and into the future. At the time the Board designates an Endowment Fund, the Board may set an initial funding goal for the fund. If a donor or donors want to contribute toward an endowment for the benefit of MITCH, the executive director will consult with legal counsel to establish such endowment so that the accumulation and spending of such donor-designated endowment complies with the specific requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (ORS 128.322).

The following general policies apply to the Endowment Fund (with specific policies considered at the time the endowment fund is established):

1. No withdrawals of principal or earnings (except as provided in 4 below) may be made from the Endowment Fund until the Endowment Fund reaches the initial goal set by the Board unless such withdrawal is approved by a vote of no less than two-thirds of the members of the Board of Directors.

4. Any allocation of public funds to the Endowment Fund will be accounted for and permitted by the terms of the Endowment Policy to be distributed on dissolution of MITCH or termination of the charter to the State Board of Education.

5. The Board will determine the allocation of funds to the Endowment Fund.

6. All designated bequests will be allocated as per the donor's intent.

7. There will be an annual payout from the Endowment Fund equal to an appropriate percentage of the fair market value of the fund as determined by the Board in consultation with its investment advisor at the end of each fiscal year (June 30) (the "Annual Distribution Amount"). The Annual Distribution Amount will be distributed in two equal installments in July and December of the following fiscal year. Each installment of the Annual Distribution Amount will be used for the purposes as the Board shall determine by policy or resolution.

8. Donor-restricted endowment funds and board-designated endowment funds are appropriately classified and disclosed according to Financial Accounting Standards Board standards and positions.

9. The Board of Directors will be responsible for defining strategies for the Board and staff to grow the Endowment Fund to its initial goal.

10. When the initial Endowment Fund goal is achieved, the Board of Directors will reassess this policy, including the purposes, adequacy and appropriate uses of the Operating Reserve and the Endowment Fund, and will make any revisions to this policy as the Board deems appropriate.

D. Criteria for Distribution of Excess Cash and Process for Unplanned Cash Deficit

If MITCH has a surplus at the end of a fiscal year (defined as revenues in excess of expenses, excluding unrealized gains/losses on investments and any future restricted commitments), such surplus will be allocated in accordance with the following criteria:

- First, to repay any outstanding amounts owed under any line of credit.
- Second, so long as the Operating Reserve is less than the Target Reserve Amount, then amounts are allocated to the Operating Reserve.
- Third, to fund Board designated special projects to the Special Project Fund and
- Fourth, when established, to the Board Designated Endowment Fund.

If MITCH has an unbudgeted deficit at the end of a fiscal year (defined as expenses in excess of revenue, excluding unrealized gains/losses on investments and any future restricted commitments) and the Operating Reserve is less than the Target Reserve Amount, the executive director will assess whether a plan is needed to replenish the Operating Reserve other than in accordance with this policy and will submit any such plan to the Board of Directors for approval.

END OF POLICY

Legal Reference(s):

ORS 128.305 – 128.336 ORS 338.105(6) ORS 338.115(2)

FASB FSP NO. FAS 117-1, Endowments of Not-for-Profit Organizations