

**Investments**

I. Investment Authority

A. Delegation of Authority to Invest

From time-to-time, the Ocean Charter School has assets in excess of its anticipated near-term needs. This policy governs the investment of such funds determined to be in excess of near-term needs. If applicable state or federal law conflicts with this policy, the applicable state or federal laws shall prevail.

The Board of Directors of **Ocean Charter School (“Board”)** authorizes the Executive Director or Assistant Director to invest assets in accord with this policy, to purchase and sell investments and instruments, allow wire transfers, and execute documents necessary to implement this policy.

B. Controls and Oversight of Investments

*The California Corporations Code (CC § 5240) applies to assets held by the corporation for investment. Assets that are directly related to the corporation’s public or charitable programs are not subject to the Code. In investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the corporation’s investments, the board is required to do the following: 1) Avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income, as well as the probable safety of the corporation’s capital; 2) Comply with additional standards, if any, imposed by the articles, bylaws or express terms of an instrument or agreement pursuant to which the assets were contributed to the corporation.*

*In complying with these requirements, directors are required to perform these duties in a manner that the director believes to be in the best interests of the corporation and with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances. (CC §§ 5240, 5231) The Corporations Code specifically states that directors may rely upon others, such as counsel, independent accountants or other professionals, and officers or employees that the directors believe to be reliable and competent in the matters presented. When following these edicts, directors have the benefit of a shield from personal liability.*

*Investments made in compliance with the Uniform Prudent Management of Institutional Funds Act found in the California Probate Code (§§ 18501, et seq.) are deemed in compliance with these requirements.*

The Executive Director or Assistant Director ensure that written internal controls policies and procedures are developed and implemented to ensure that investments are made in accord with

this policy, that prevent losses of assets that may arise from fraud, error, misrepresentation, or imprudent action and that investments avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income, as well as the probable safety of the corporation's capital.

The Finance Committee of the Board shall receive and review information on investment balances, allocations, and returns at least quarterly and present a summary report at least annually to the Board, whether separately or as a part of the budget process.

The trustees, officers and employees involved in the investment process shall refrain from any conflicts of interest in the management of the school's investments and shall have no interest in, nor receive any compensation nor inducements from any of the school's investments nor those involved in selling or managing those investments. All investment activity shall be in accordance with applicable laws governing conflicts of interest and the organization's Conflict-of-Interest Policies.

## II. Maintaining Liquidity

### A. Estimating Future Liquidity Needs

The Executive Director, in conjunction with the back-office finance/accounting organization, shall quarterly, or more frequently as needed, prepare or cause to be prepared cash flow projections that anticipate the Ocean Charter School' near-term cash position. The projections shall identify the amounts of cash and other assets needed to ensure that the Ocean Charter School maintains available cash reserves in alignment with levels specified in budgeting and financial policies, debt covenants, agreements with the charter authorizing agency, or other binding commitments. These shall be held on deposit in cash or cash-equivalent operating accounts at all times while also remaining current on all accounts payable and other obligations.

### B. Amounts Available for Investment

Amounts in excess of those needed to remain liquidity may be invested in longer-term investments identified below so as to meet the objectives listed below.

## III. Objectives

The objectives of this investment policy include the following:

1. Safety of Principal – Funds should be invested to preserve the principal in the overall portfolio.
2. Liquidity – Funds should be invested to ensure that the school can meet its anticipated cash liquidity needs based on reasonably detailed cash flow projections.

3. Return on Investments – Funds should be invested to attain the highest market returns relative to risk constraints, with a goal of achieving a maximum rate of return relative to the market at that the time of the investment and while ensuring liquidity.
4. Maintaining the Public’s Trust – Funds should be invested so as to act as responsible custodians of public funds and avoid transactions that would undermine public confidence in the school, its board, officers, and employees. Investments of donated assets shall conform to any related instrument or agreement pursuant to which the assets were donated to the Ocean Charter School.
5. Investment Philosophy – Investments should be invested in socially responsible funds.

#### IV. Investment Standards and Approved Investment Instruments

Individuals responsible shall manage and invest in good faith and with the care that an ordinary and prudent person would exercise under similar circumstances. The Ocean Charter School may only incur costs that are reasonable in relation to the assets being managed, considering the skills and expertise available to the Sample Charters Schools, and shall make a reasonable effort to verify facts relevant to the management and investment of assets.

Individuals responsible for managing and investing assets must consider the following:

- General economic conditions,
- The possible effects of inflation or deflation,
- Expected tax consequences, if any,
- The role that each investment or course of action plays relative to the Ocean Charter School overall investments,
- The expected total return from income and appreciation of investments,
- The needs of the Ocean Charter School to make distributions and preserve capital, and
- An asset’s special relationship or special value, if any, to the charitable purposes of the Ocean Charter School.

In alignment with this policy, the Ocean Charter School may invest in the following forms of investment instruments in alignment with the objectives listed above and to the extent allowed by applicable law:

- Bonds, notes, and treasury bills and other securities issued by and backed by the full faith and credit of the United States of America and its agencies.
- Interest-bearing savings accounts, checking accounts, cash management accounts, and certificates of deposit that are insured by the Federal Deposit Insurance Corporation (FDIC).

*Note: The instruments listed above are among the most conservative and near risk-free investments available on the market. They also generally generate the lowest investment returns. Some schools/organizations with more substantial assets and cash reserves are in a position to incur higher levels of risk, and presumably generate more substantial returns by investing in other instruments including corporate bonds, certificates of deposit from foreign banks, stocks/equities, etc. Schools/organizations doing so presumably may want to obtain professional advice and expand this sample policy to list the specific approved instruments. It presumably is also a good practice to set specific percentage or dollar limits on the percentage or amounts of the organization's funds that may be invested in such higher risk instruments.*

- Goal of splitting any investments between bonds, notes, and treasury bills, and FDIC insured products, but discretion is given to Executive Director or Assistant Director to have a different split as long as the products are allowable as outlined above.

All investments shall be made in the name of the Ocean Charter School.

Adopted:

Amended: