

IDEA Public Schools

# NET ASSETS



**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

**Contents**

**Sec. 1. Purpose of Policy. .... 2**

**Sec. 2. Authority Over Fiscal Matters..... 2**

**Sec. 3. Net Assets With Donor Restrictions. .... 2**

**Sec. 4. Board-Designations. .... 3**

**Sec. 5. Maintenance of Adequate Net Assets. .... 4**

**Sec. 6. Expenditure of Net Assets. .... 4**

**Sec. 7. Decline in Net Assets. .... 4**

**Sec. 8. Deficiency in Net Assets. .... 5**

**Sec. 9. Grant Programs. .... 5**

**Sec. 10. School Nutrition Program. .... 5**

**Sec. 11. Monitoring of Net Assets. .... 5**

**Sec. 12. Training and Updates. .... 5**

**Sec. 13. Administrative Procedures..... 5**

**Sec. 14. Date Adopted and Effective..... 6**

**Sec. 15. Retention. .... 6**

**Sec. 16. Certification. .... 6**

**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

**Sec. 1. PURPOSE OF POLICY.**

Sec. 1.1. The Board of Directors (hereafter, the “Board”) of IDEA Public Schools (hereafter, “IDEA”) considers that the prudent observance of generally accepted accounting standards of fiscal management requires the maintenance of sufficient economic and financial resources to provide adequate net assets to support a balanced and firm financial foundation for IDEA’s operations.

Sec. 1.2. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at:

- (a) Texas Business Organizations Code (“Tex. Bus. Org. Code”) Sections 3.101, 22.201, 22.221 and 22.235;
- (b) Texas Education Code (“Tex. Ed. Code”) Sections 12.107(a)(2), 12.1052, 12.115(a)(2), 12.121 and 12.128;
- (c) Texas Administrative Code, Title 19 (“19 TAC”), Sections 100.1022(c)(1)(A)(iv), 100.1033(b)(14)(C), 100.1043(a)(2), 100.1047(b), 100.1063(b), 100.1101, and 100.1203;
- (d) Code of Federal Regulations, Title 2, Part 200; and
- (e) Financial Accountability System Resource Guide.

**Sec. 2. AUTHORITY OVER FISCAL MATTERS.**

Sec. 2.1. In accordance with state law, the Board has primary and ultimate authority over fiscal matters. If a matter or decision-making process is not addressed in this or other duly adopted policies of the Board, authority rests with the Board. In the event of a conflict between this policy and any other Board policy, such conflict shall be brought to the Board for resolution. Refer to the Board’s Authority Over Fiscal Matters Policy (the “Controlling Policy”) for requirements applicable to this policy.

Sec. 2.2. The Delegates (as defined in Sec. 3(b) of the Controlling Policy) shall report to the Board any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted,<sup>1</sup> interested,<sup>2</sup> or related<sup>3</sup> party, as defined in other Board policy or applicable law. IDEA (and its officers) may not enter into a business arrangement or conduct a transaction in such a manner so as to circumvent this requirement.

**Sec. 3. NET ASSETS WITH DONOR RESTRICTIONS.**

The Delegates shall maintain records accounting for net assets with donor restrictions in a manner consistent with each donor’s restrictions and in accordance with generally accepted accounting

---

<sup>1</sup> Tex. Ed. Code § 12.1054; 19 TAC §§ 100.1131 through 100.1135

<sup>2</sup> 19 TAC § 100.1047(f)

<sup>3</sup> Tex. Ed. Code § 12.1166

**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

principles. As appropriate and necessary, the Delegates shall uniquely identify any donor-restricted endowment funds in IDEA's accounting records.

**Sec. 4. BOARD-DESIGNATIONS.**

Sec. 4.1. At the Finance Committee's request, from net assets without donor restrictions, the Delegates shall present to the Committee a proposal for the designation of surplus net assets for a specific purpose. Generally, the Committee's action under this section may be for capital campaigns, future programs, investments, contingencies, real property acquisitions, construction services or other capital outlays, or other uses.

Sec. 4.2. At the Finance Committee's request, from net assets without donor restrictions, the Delegates shall present to the Committee a proposal for the establishment of an endowment to be invested to provide income.

Sec. 4.3. In preparing a proposal, the Delegates shall:

- (a) Identify the amount of net assets without donor restrictions available for a Board designation or endowment;
- (b) Establish the purpose of the designation or endowment, including the period of time for when the designation or endowment shall exist;
- (c) Specify the fiscal impact to IDEA of designating net assets or creating an endowment, particularly concerns relating to legal requirements and covenants;
- (d) Describe the safeguards that will be effectuated to ensure that IDEA's overall financial condition shall remain favorable and in conformance with applicable legal requirements and covenants;
- (e) Provide the requirements that must be met to obtain a release of the designation or endowment from the Finance Committee;
- (f) Delineate the accounting classification(s) that will be used to discretely account for the designation or endowment; and
- (g) The statutorily authorized investments that will be utilized, including consideration of any legal requirements relating to the preservation and safety of principal, liquidity and yield.

Sec. 4.4. The Committee may consider and approve, disapprove, conditionally approve or approve with modification the Delegate's proposal.

Sec. 4.5. The Board may, at its discretion, exercise its final authority to review and ratify or reject the Committee's action.

**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

**Sec. 5. MAINTENANCE OF ADEQUATE NET ASSETS.**

Sec. 5.1. To ensure that IDEA has adequate net assets to provide a balanced and firm financial foundation for its operations, the Delegates should ensure that net assets include the following general reserves.

- (a) A general reserve to provide cash flows for operating activities. This reserve may be calculated as the ratio of the number of days cash on hand, including current investments, to operating expenses. In this regard, IDEA should maintain at least 50 days cash on hand.
- (b) A general reserve to provide for IDEA's liquidity. This reserve may be calculated as the ratio of current assets to current liabilities. In this regard, IDEA should maintain a ratio of no less than 1.75.
- (c) A general reserve to provide cash flows for financing activities. This net asset element may be calculated as:
  - (1) The ratio of long-term liabilities to total assets, which should be no less than 0.70; and
  - (2) The ratio of the difference between total revenues and total expenses to debt service (i.e., interest and principal payments), which should be no less than 1.15.
- (d) A general reserve to address unanticipated expenses and/or a decline in revenue, which should be no less than twenty percent (20%) of total expenses.

Sec. 5.2. Upon approval by the Finance Committee, the Delegates may invest a general reserve in an authorized investment.

Sec. 5.3. The Delegates maintenance of a general reserve(s) under this section is discretionary and does not constitute a Board designation of net assets.

**Sec. 6. EXPENDITURE OF NET ASSETS.**

The Delegates may only expend net assets pursuant to the Adopted Budget, as established under the Board Policy relating to the Authorization for the Obligation and Expenditure of Funds. In the event that the Delegates determine that an amount set aside in net assets, either by donor restriction or Board designation or endowment, requires use, the Delegates shall submit a proposal to the Finance Committee for its consideration and approval, disapproval, conditional approval or approval with modification. The Board may, at its discretion, exercise its final authority to review and ratify or reject the Committee's action.

**Sec. 7. DECLINE IN NET ASSETS.**

Unless approved by the Board as part of IDEA's annual operating budget, the Delegates may not allow IDEA to experience a decline in net assets.

**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

**Sec. 8. DEFICIENCY IN NET ASSETS.**

The Delegates may not allow IDEA to operate with a deficit in net assets.

**Sec. 9. GRANT PROGRAMS.**

The Delegates shall not allow a grant program to operate at a financial deficiency or to maintain a surplus in net assets.

**Sec. 10. SCHOOL NUTRITION PROGRAM.**

The Delegates shall not allow the School Nutrition Program to maintain net assets to exceed three (3) month's average expenditures.

**Sec. 11. MONITORING OF NET ASSETS.**

At each regular meeting of the Board, the Delegates shall report to the Board IDEA's compliance with this policy, including the status of Board designations and endowments, and any projected deficit or deficiency in net assets.

**Sec. 12. TRAINING AND UPDATES.**

The Delegates or designee shall properly train or ensure training is provided to IDEA officers and employees on the requirements of this policy and any administrative procedures adopted to implement this policy. Additionally, the Delegates or designee shall keep IDEA officers and employees informed of any changes to this policy and related requirements.

**Sec. 13. ADMINISTRATIVE PROCEDURES.<sup>4</sup>**

The Delegates shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegates shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

---

<sup>4</sup> Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA's governing authority and, as such, manages and directs IDEA's business and affairs through Board actions, resolutions and policy.

**IDEA PUBLIC SCHOOLS BOARD POLICY  
NET ASSETS**

**Sec. 14. DATE ADOPTED AND EFFECTIVE.**

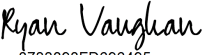
As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on MDY, and it became effective on MDY.

**Sec. 15. RETENTION.<sup>5</sup>**

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with state law.

**Sec. 16. CERTIFICATION.**

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to Net Assets, as originally adopted by the Board on MDY, which Policy is in full force and effect and has not been revoked or amended.

DocuSigned by:  
  
6733888FD090495...  
\_\_\_\_\_  
Name, Secretary

9/15/2020  
\_\_\_\_\_  
Date Certified

---

<sup>5</sup> Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).