

IDEA Greater Cincinnati, Inc.

NET ASSETS



Sec. 1. PURPOSE OF POLICY.

Sec. 1.1. The Board of Directors (hereafter, the “Board”) of IDEA Greater Cincinnati, Inc. (hereafter, “IDEA Cincinnati”) 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 Cincinnati’s operations.

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

- (a) Ohio Nonprofit Corporation Act Chapter 1702;
Ohio Community Schools Act Chapter 3314;
- (b) Ohio Administrative Code;
- (c) Code of Federal Regulations, Title 2, Part 200; and
- (d) 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 not engage in any business arrangement or transaction with an individual that is an officer, as defined in Sec. 5 of the Controlling Policy, and any conflicted, interested, or related party³, as defined in other Board policy or applicable law. IDEA Cincinnati (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 principles. As appropriate and necessary, the Delegates shall uniquely identify any donor-restricted endowment funds in IDEA Cincinnati’s accounting records.

Sec. 4. BOARD-DESIGNATIONS.

Sec. 4.1. At the Board’s request, from net assets without donor restrictions, the Delegates shall present to the Board a proposal for the designation of surplus net assets for a specific purpose. Generally, the Board’s action under this section may be for capital campaigns, future programs,

³ R.C. Chapter 102; R.C. Section 2921.42

investments, contingencies, real property acquisitions, construction services or other capital outlays, or other uses.

Sec. 4.2. At the Board's request, from net assets without donor restrictions, the Delegates shall present to the Board 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 Cincinnati 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 Cincinnati'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 Board;
- (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 Board may consider and approve, disapprove, conditionally approve or approve with modification the Delegate's proposal.

Sec. 5. MAINTENANCE OF ADEQUATE NET ASSETS.

Sec. 5.1. To ensure that IDEA Cincinnati 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 Cincinnati should maintain at least 30 days cash on hand.
- (b) A general reserve to provide for IDEA Cincinnati's liquidity. This reserve may be calculated as the ratio of current assets to current liabilities.

- (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 (10%) of total expenses.

Sec. 5.2. Upon approval by the Boar, 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 Board 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 Board's action.

Sec. 7. DECLINE IN NET ASSETS.

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

Sec. 8. DEFICIENCY IN NET ASSETS.

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

Sec. 9. MONITORING OF NET ASSETS.

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

Sec. 10. TRAINING AND UPDATES.

The Delegates or designee shall properly train or ensure training is provided to IDEA Cincinnati 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

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Cincinnati officers and employees informed of any changes to this policy and related requirements.

Sec. 11. ADMINISTRATIVE PROCEDURES

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.

Sec. 12. DATE ADOPTED AND EFFECTIVE.

As set forth in the pertinent minutes to the meeting of the Board, the Board adopted this policy on ,
_____.

Sec. 13. RETENTION

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

Sec. 14. 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 _____.