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## RIVERVIEW CHARTER SCHOOL BOARD POLICY

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**TITLE:** *Investment and Cash Management Policy*

**POLICY :** **RCSB-1001**

**APPROVAL DATE:** 9/15/2022

**EFFECTIVE DATE:** 9/15/2022

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### **I. PURPOSE OF INVESTMENT AND CASH MANAGEMENT POLICY**

The purpose of this Investment Policy of Riverview Charter School, herein after referred to as “School” is to:

1. Clearly state the School’s investment objectives.
2. Define responsibilities of the Board of Directors, herein after referred to as “Board”, the Finance Committee of the Board, and any other parties involved in managing the School’s investments, and
3. Identify or provide diversification requirements, target asset allocations, and permissible investments.

### **II. DEFINITIONS OF TERMS**

***Investment*** – the outlay of money with the expectation of receiving a financial benefit such as income or profit in the future.

***Risk*** - the chance that an investment will incur loss of value or not achieve expected returns or benefits.

***Asset*** – an item of value which is owned.

### **III. INVESTMENT OBJECTIVES**

The overall objective of the School’s investment program is to maximize the return on invested assets while minimizing risk and expenses. This can be accomplished through prudent investing and planning, as well as through the maintenance of best practices in cash and financial asset management.



The primary objectives of School's investment and cash management policy are:

1. Preserve capital and protect the School's assets
2. Safeguard funds and investments
3. Maintain sufficient liquidity to fund day to day operations
4. Provide yield on investments consistent with risk objectives to preserve purchasing power and minimize the effects of inflation

#### **IV. GENERAL PROVISIONS**

General Board of Directors responsibilities related the School's Investment Policy include:

- Policy Approval and Revision
- Authorize revisions and recommend changes to this policy
- Provide investment oversight
- Ensure financial transactions are executed in accordance with the policy
- Interpret the policy to ensure conformity when required
- Approve exceptions to this policy in writing
- Monitor investment results and the performance of external organizations engaged by the School to perform investment activities

School Leadership will endeavor to operate the School's investment program in compliance with all applicable state, federal and local laws and regulations concerning management of investment assets.

Executive members of the Board shall conduct an annual review of the School's financial assets to verify the existence and marketability of the underlying assets or satisfy themselves that such a review has been conducted in connection with an independent audit of the School's financial statements.

The Board shall review the School's investment policy annually and take action when necessary or appropriate.

All investment transactions shall be for the sole benefit of the School and no other organization or individual.

Any investment that is not expressly permitted under this policy must be formally reviewed and approved by the Board prior to acquisition.

Investments shall be diversified with a view to minimizing overall investment risk.



## V. DELEGATION OF RESPONSIBILITY AND CONSULTATION WITH EXPERTS AND ADVISORS

The Board has ultimate responsibility for the investment and management of the School's invested assets.

The Board may delegate authority over School's investments to a properly formed and constituted Finance Committee, being a Board Committee comprised only of directors.

The Finance Committee of the Board is charged with the responsibility of oversight for the implementation of this policy. The Finance Committee is responsible for conducting periodic reviews of School compliance with this policy to ensure that financial assets of the School are being properly safeguarded.

The Board delegates day to day execution of this policy to the School Director with respect to actual investments and management of the School's investable funds.

In accordance with policy and procedure, the Board may engage outside experts as investment consultants or investment managers based on recommendation of the Finance Committee of the Board.

## VI. GENERAL INVESTMENT GUIDELINES

A copy of this Investment Policy shall be provided to all financial institutions with whom the School conducts business and to the external auditor.

The School is a tax-exempt organization as described in section 501(c) (3) of the Internal Revenue Code. This tax-exempt status should be taken into consideration when making investments.

The School is expected to operate in perpetuity; therefore, a long term investment horizon shall be employed.

The Board and School leadership recommend segregating the School's financial assets into three categories based upon liquidity needs. They are operating funds, reserve funds, and strategic funds.

**Operating funds** are those monies needed to operate the School on a day to day basis to fund such activities such as payroll, accounts payable, and replenishing petty cash. These funds should operate on a daily investment time horizon.

**Reserve funds** are those monies planned for larger, budgeted expenses where there is need for some degree of liquidity with a high degree of safety. The timeline for availability of these funds is three to twelve months in the future.



***Strategic funds*** are those monies targeted for very large unbudgeted capital projects or monies currently with no specific definite purpose in mind. The timeline for availability of these funds is greater than one year in the future.

A cash account for operating funds shall be maintained with a zero to very low risk tolerance to keep cash available for short term expenses to fund day-to-day expenses. Other accounts will be established for reserve and strategic funds and the funds invested as appropriate.

The School should take steps to reduce risk through diversification of assets. It is recommended that no more than 25% of the School's investable assets reside at any one financial institution or investment firm when School asset levels exceed \$250,000. Periodic rebalancing is recommended to achieve this level of diversification.

Transactions shall be executed at a reasonable cost, taking into consideration prevailing market conditions and services provided by the executing financial institution.

The School should select investments with the intent of reducing credit/default risk and reducing interest rate risk. Credit/default risk occurs when the credit rating of a fixed income investment is lowered causing a decline in value or when debt obligations are not repaid. Interest rate risk occurs when assets decline in value due to a rise in prevailing interest rates.

Permissible / Acceptable Investments are limited to:

- Cash and cash equivalents (in U.S. Dollars) deposited in demand deposit accounts insured by the Federal Deposit Insurance Corporation (FDIC).
- Certificates of Deposit in amounts up to the insurance limit insured by the FDIC.
- Accounts holding U. S. Government agency obligations with explicit backing by the full faith and credit of the U.S. Government.
- Money Market Mutual Funds invested in short term U. S. Treasury securities with an average maturity of less than ninety days or the shortest possible average maturity available.

Prohibited Investments include:

- Equity investments of any kind including stocks, stock mutual funds, and stock exchange traded funds (ETFs).
- Fixed income (debt) instruments issued by corporations or governments which are not explicitly or implicitly backed by the U.S. Government. This includes bonds, bond mutual funds, and exchange traded funds which hold such bonds.
- Derivative investments of any kind including options, rights, and warrants, or other types of exotic financial contracts.
- Money Market Mutual Funds holding assets other than U.S. Government Treasury Securities.



**LEGAL REFERENCE(S)**

South Carolina Code of Laws, Unannotated:

Section 6-5-10 through 6-5-40, *Investment of Funds by Political Subdivisions*

**ACKNOWLEDGEMENT**

We, the undersigned, recognize the importance of adhering to the mission and strategies detailed in this Investment Policy and agree to fulfill the objectives stated herein within the guidelines and restrictions, to the best of our ability. We acknowledge that open communication is essential to fulfilling this mission. If at any time we wish to discuss improvements to this document, those discussions are welcome and should be coordinated with the Finance Committee of the Board and then presented to the full Board for its consideration.

  
Chair, Board of Directors

9/15/22  
Date

  
Director, Riverview Charter School

9/15/22  
Date