

Financial Reserve Policy

The Board of Directors (“Board”) of Westlake Charter School (“WCS”) recognizes the need for a financial reserve to serve as a cushion against unexpected but necessary expenses or a sudden loss of income, and to build up money for long-term goals and future plans. With this in mind, the Board establishes a Financial Reserve Policy with the goal of maintaining overall Financial Reserves in an amount sufficient to:

1. Meet the uncertainties of federal, state and local funding;
2. Provide prudent reserves to meet unexpected emergencies, economic uncertainties and catastrophic events equating to approximately six (6) months operating expenditures;
3. Protect WCS from unnecessary borrowing in order to meet cash-flow needs;
4. Help ensure a credit rating that would qualify the charter school for lower borrowing costs;
5. Allow WCS to respond to unanticipated opportunities, such as the development of new programs;
6. Plan for ongoing program maintenance and upgrades; and
7. Plan for extraordinary costs associated with our Special Education model.

Collectively, items 1-4 above are defined as Operational Reserves, whereas items 5-7 above are defined as Program Reserves.

In determining the ongoing, appropriate target for overall Financial Reserves, the Board will continue to consider a variety of factors and potential impacts on WCS’s finances including, but not limited to, the predictability and volatility of its revenues and expenditures, and projected program and routine maintenance needs. It is the Board’s intention that the Finance Committee review such factors and the target for overall Financial Reserves annually.

Operational Reserve

WCS should strive for an Operational Reserve of at least \$4.4 million in Unrestricted General Funds. For the purposes of this policy, Unrestricted General Funds shall be comprised of Unrestricted Reserves outlined in the California School Accounting Manual (CSAM) as having Resource Codes 0000-1999.

Program Reserve

Program Reserves are to be reviewed by the Finance Committee, taking into account the goals established by the Board in its strategic plan and any programmatic changes that may affect projected needs.