

Sec. 1. Purpose of Policy.

The Board of Directors (hereafter, the “Board”) and Superintendent/Chief Executive Officer (hereafter, “Superintendent”) of Heritage Academy Charter Schools, Inc. doing business as Heritage Academy (hereafter, the “Academy”) shall endeavor to adhere to generally accepted accounting standards of fiscal management. Accordingly, the Board, Superintendent and Academy shall adopt, amend and adhere to an annual operating budget that provides for adequate net assets to provide a balanced and firm financial foundation for the Academy’s operations. Through this policy, the Board shall address the legal requirements, as applicable, promulgated at:

- (a) Texas Education Code Section 12.115(a)(2);
- (b) Texas Administrative Code Title 19, Sections 100.1022(h) and 10 (Indicators 5, 6, 7, 8, 9 and 10).

Sec. 2. Applicability of Policy.

This policy pertains to the receipt and use of local and state funds and the related maintenance of net assets sufficient to sustain the Academy’s operations.

Sec. 3. Designee(s).

In this policy, where the Superintendent is authorized to delegate authority to a designee (as denoted by the phrase “or designee”), the Superintendent may delegate such authority to a designee. If the Superintendent delegates authority to a designee, the Superintendent shall do so in writing through an administrative procedure, job description or internal memorandum. The Superintendent’s delegation of authority to a designee must be specific and must cite the policy from which it is derived. Any delegation of authority to a designee not documented as set forth in this section shall be null and void.

Sec. 4. Net Asset Elements.

To ensure that the Academy has adequate net assets to provide a balanced and firm financial foundation for its operations, the Superintendent or designee shall include and ensure the adequacy of the following elements in net assets.

- (a) A general reserve to provide cash flows for operating activities. This net asset element may be calculated as the ratio of the number of days cash on hand, including current investments, to operating expenses. In this regards, the School must maintain at least 50 days cash on hand.
- (b) A general reserve to provide for the Academy’s liquidity. This net asset element may be calculated as the ratio of current assets to current liabilities. In this regards, the Academy must maintain a ratio of no less than 1.75.
- (c) A 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 must be no less than 0.70; and

- (2) The ratio of total revenue less total expenses to debt service (*i.e.*, interest and principal payments), which must be no less than 1.15.

(d) A general reserve to address unanticipated expenses and/or a decline in revenue.

Sec. 5. Decline in Net Assets.

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

Sec. 6. Deficiency in Net Assets.

The Superintendent or designee may not allow the Academy to operate with a deficit in net assets.

Sec. 7. Grant Funds.

The Superintendent or designee shall not allow a grant program to operate at a financial deficiency for a period greater than thirty (30) calendar days.

Sec. 8. Monitoring of Net Assets.

At periodic regular meeting of the Board, the Superintendent or designee shall report to the Board the Academy's compliance with this policy and shall disclose any projected deficit or deficiency in net assets.

Sec. 9. Administrative Procedures.

The Superintendent or designee may prepare and formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law.