AREA: OVERALL ORG INFORMATION	POLICY NAME: Investment, Budget, and Operating Reserve Policy	POLICY NUMBER:
EFFECTIVE (ORIGINAL) DATE: 06/17/24		REVISED DATE:
APPROVAL DATE: 06/17/24	DATE REVIEWED: 05/13/25	APPROVED BY: Board of Directors

POLICY STATEMENT:

This policy establishes guidelines for the prudent management of the School-Based Health Alliance ("SBHA") financial resources, ensuring fiscal responsibility, financial sustainability, and alignment with strategic goals. It governs the investment of funds, budget planning, and maintenance of an adequate operating reserve.

PROCEDURE:

A. Investment Policy
SBHA funds are to be invested to ensure the safety of the investment principal, provide for portfolio liquidity, and maximize the income (yield) for the total Portfolio.

B. Eligible Securities
Portfolio investments are limited to the following investment categories: money market instruments, certificates of deposit, money market mutual funds, treasury bills and notes, federal agency securities, and government securities mutual funds. The average quality rating of Portfolio investments should be greater than "A" rated. Preference is given to government and institutionally secured instruments like money market accounts and CDs. Funds are only to be placed with reputable firms.

C. Budget Policy
SBHA's President, along with the staff Executive Team, is responsible for developing an annual budget for presentation to the Board of Directors at the September board meeting. The Board will approve the budget at the September meeting.

D. Operating Reserve Fund
The purpose of the Operating Reserves policy for SBHA is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of SBHA for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with the other governance and financial polices of SBHA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

E. Definition

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

F. Amount of Reserve

The minimum Operating Reserve Fund is $50,000, set and implemented in 2010. In 2024, the amount designated as Operating Reserve is set at $4.5 million, an amount sufficient to maintain staff operations for up to eighteen months with no other revenue.

G. Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in segregated bank accounts or instruments, in accordance with investment policies.

H. Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds
    - From time to time, while awaiting funding from a particular source, it may become necessary to utilize reserve funds until payment is received. The President and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires an analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and an evaluation of the time period that the funds will be required and replenished. Reserve funds utilized to bridge cash flow gaps are to be replenished as soon as payment is received from the respective funders. $400,000 has been established as a “Board authorized reserve” and may not be accessed or utilized without prior approval of the full Board.

2. Authority to use operating reserves
    - Use of operating reserves are at the discretion of the President and Chief Financial Officer and are to be reported to the Executive Committee and financial review at their monthly meetings. Plans for replenishment are to be reviewed at those meetings.

3. Reporting and monitoring.
    - The President is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the President will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Executive Committee of progress to restore the fund to the target minimum amount.

I. Monitoring and Evaluation of SBHA Policy

All objectives and policies in this section will be reviewed annually at the June Board meeting or sooner by the Executive Committee if warranted by internal or external events or changes. The Executive Committee will recommend any changes to the Policy to the Board of Directors.

Reviewed by and approved:
Reviewed by CEO and notes: 05/13/25
Reviewed by COO and notes: 05/13/25
Reviewed by CFO and notes: 05/13/25
Reviewed by EVP and notes: 5/13/25