FUND BALANCE POLICY

Section: D- Fiscal Management
Policy Number: D-3
Policy Name: Fund Balance Policy
Approval Authority: Board of Directors
Responsible Executive: Chief Financial Officer
Responsible Office: Chief Financial Officer
Originally Issued: 3/28/2023
Revisions:

1. **Policy Statement**
    a. The purpose of this policy is to ensure the financial stability of GOAL Academy, to provide a strong financial rating, and to provide a reserve enabling the School to deal with unforeseen expenditures and revenue shortfalls. An adequate fund balance level is an essential element in both short-term and long-term financial planning.

2. **Reason for Policy**
    a. The policy of the School is to classify its fund balances according to the guidelines in Governmental Accounting Standards Board (GASB) Statement No. 54. Fund balance categories will include Non-spendable, Restricted, Committed, Assigned and Unassigned. Unassigned fund balance is an important measure of economic stability. It is essential that the School maintain an adequate level of unassigned fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations and unanticipated expenditures.

3. **Who Should Read This Policy**
    a. All members of the GOAL Academy community.

4. **Related Documents**
    a. none

    b. **Contacts** Chief Financial Officer

5. **The Policy**

Fund Balance Classifications (established by GASB)

Fund Balance – The difference between assets and liabilities in a governmental fund.

Fund balance is categorized in five classifications as defined below:

A. Non-spendable fund balance - Represents amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact such as items that are not expected to be converted to cash, including inventories and prepaid expenditures.

B. Restricted fund balance – These funds are limited by externally enforceable limitations on use such as creditors and grantors. This classification also includes funds with limitation placed by law or enabling legislation. TABOR Emergency Reserves are a required component of Restricted Fund Balance mandated by Article X, Section 20 of the Colorado Constitution.

C. Committed fund balance – Represents funds constrained for specific purposes determined by the School's Board of Directors. It requires formal action by the same group to remove or change the constraints placed on the resources.

D. Assigned fund balance – Assigned fund balance has limitations based on the intended use of the funds. Assigned funds are not restricted or committed. The School Board has delegated the authority to assign amounts to the Chief Executive Officer and Chief Financial Officer. Assigned amounts or changes to Assigned amounts will be presented to the school board for review.

E. Unassigned fund balance – Residual net resources, or the balance after non-spendable, restricted, committed, and assigned, are classified as unassigned fund balance. These funds represent resources available to meet current and future years' expenditures.

Minimum Fund Balance

The School will strive to maintain a minimum fund balance of 28% of the annual expenditure budget equal to:

a. Restricted fund balance of 3% for TABOR Emergency Reserves
b. Assigned fund balance of 25% equal to 3 months of budgeted expenditures.

Surplus Fund Balance

Should the unassigned fund balance ever exceed 6% of the annual expenditure budget, the School will consider such fund balance surpluses that may be used for innovative educational program expansion and one-time expenditures that are nonrecurring in nature and will not require additional future expenditure outlays for maintenance, additional staffing or other recurring expenditures.

Stabilization Arrangements

When the combined total of the Committed, Assigned and Unassigned fund balances falls below 28%, the school shall initiate the following measures:

a. Reduce expenditures through implementation of cost containment measures.

b. Seek opportunities to increase revenue. Examine options to increase enrollment.

The CEO and CFO, along with the Finance Committee shall review this policy annually and make any recommendations for changes to the Board of Directors.