
INTRAORGANIZATIONAL LOAN POLICY

Sage Oak Charter Schools (“SOCS”) adopts this Intraorganizational Loan Policy to apply to the financial cash management of the schools.

BACKGROUND

The Board of Directors of Sage Oak Charter Schools (the “Board”), which operates California charter schools, is committed to safeguarding the organization’s assets and ensuring compliance with all applicable state and federal laws and regulations regarding the use of its funds. To provide an accurate and auditable record of all financial transactions, the books, records, and accounts of SOCS and each of its charter schools are maintained in conformity with generally accepted accounting principles (“GAAP”) as applicable to charter schools. SOCS uses accounting methods that track the sources and uses of its finances and each school’s funds and SOCS does not commingle, i.e. blend, funds of the entities.

Charter schools depend on government funding, and from time to time SOCS and its charter schools may experience funding shortfalls, government revenue reductions, unexpected cash flow needs, or funding deferrals that may cause cash shortages. The Board hereby adopts this policy so that resources can be allocated from within the organization’s charter school network to ensure uninterrupted educational services and to safeguard against funding shortfalls. If a school does not have sufficient funds, SOCS may, with Board approval, temporarily transfer funds from a charter school that has surplus funds to another charter school. This type of interfund transaction is referred to herein as an “intraorganizational loan.” The purpose of this policy is to ensure such loan transactions and balances, and the origin, source, and use of the loan funds, are transparent, auditable, accountable, and approved in writing.

The amounts transferred are accounted for as temporary borrowing between charter schools or accounts and shall be repaid in the same fiscal year, or in the following year, if the transfer takes place within the final 120 calendar days of a fiscal year. In the event that the borrower is unable to repay the “intraorganizational loan” within the period specified, a report shall be provided to the Board on the financial condition of the borrower including, but not limited, to the steps necessary to satisfy the loan.

POLICY STATEMENT

Consistent with FCMAT’s and the State Auditor’s guidance, this policy permits intraorganizational loans from a charter school that has surplus funds to another charter school so long as such loans adhere to the procedures set forth herein.

This policy does not permit any loans to third parties and does not apply to regular interfund transactions in the ordinary course of business between a school’s account and operating account, such as for reimbursement of cash disbursements made to vendors on a school’s behalf or payment of payroll and benefits. As set forth in SOCS’ fiscal policies and procedures, regular

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interfund transactions are presented on the financial statements as interfund receivables or interfund payables based on the net account balance. In addition, SOCS prohibits commingling funds to such an extent that the funds become blended. For purposes of this policy, blending means that the identity, origin, and source of the funds are lost or unidentifiable.

PROCEDURES

The Executive Director (“ED”) of SOCS or designee shall monitor cash balances regularly. When there may be a need for funds at a school, the ED will assess the reserve funds available for all charter schools. If a school does not have sufficient funds, the ED will seek Board approval to make a temporary intraorganizational loan.

All intraorganizational loans must be approved by the Board and documented pursuant to an Intraorganizational Loan Agreement, which shall identify the “lender” and “borrower” accounts and include such terms as the loan amount, repayment period and repayment method (e.g., monthly or quarterly), and a determination that the loan does not adversely affect the public school purposes of the charter school that loans the funds.

The ED or designee shall ensure the balance of each intraorganizational loan and the origin, source, and the use of the funds are clear, open, auditable, and accountable. The ED shall report to the Board as needed on the financial condition of the borrower and lender accounts, amounts outstanding, and anticipated repayment dates.