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Sonoma Charter School

SONOMA CHARTER SCHOOL

CASH RESERVE AND DISCRETIONARY SPENDING FREEZE POLICY

Adopted: September 8, 2026

1. PURPOSE

The purpose of this policy is to establish a financial safeguard to protect Sonoma Charter School's liquidity and ensure that sufficient cash is available to meet payroll, employee benefits, essential operating expenses, debt obligations, and other required financial commitments.

The School recognizes that maintaining adequate cash reserves is critical to financial stability. Accordingly, the School will maintain a minimum cash liquidity target of **60 days of operating expenses**.

When projected cash liquidity falls below this threshold, the School will implement a temporary freeze on discretionary expenditures until cash reserves are restored to an acceptable level.

2. CASH LIQUIDITY STANDARD

The School will monitor its available unrestricted cash and calculate **Days Cash on Hand** on a regular basis.

For purposes of this policy:

Days Cash on Hand = Unrestricted Cash + Average Daily Operating Expenses

The School's minimum liquidity threshold is **60 days of cash on hand**.

Cash designated or legally restricted for a specific purpose shall not be considered available unrestricted cash for purposes of satisfying this minimum liquidity threshold unless the restriction permits the funds to be used for general operating purposes.

3. DISCRETIONARY SPENDING FREEZE

If the School's projected Days Cash on Hand falls **below 60 days**, a discretionary spending freeze shall be initiated.

The spending freeze is intended to preserve cash and shall remain in effect until the School's financial position improves and the Director determines that the School has sufficient liquidity to resume discretionary expenditures.

The following categories of expenditures shall generally be considered **discretionary** and subject to the spending freeze:



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- Non-essential supplies and materials;
- Non-essential equipment purchases;
- Non-essential technology purchases or upgrades;
- Conferences, travel, and professional development that are not required for compliance or essential school operations;
- Non-essential consulting or contracted services;
- Marketing and promotional expenditures that are not necessary to support enrollment or required school operations;
- Furniture and facility enhancements that are not required for safety or essential operations;
- Optional events, activities, and expenditures not required by the School's educational program;
- New subscriptions, memberships, or software that are not essential to ongoing operations;
- Other expenditures determined by the Director to be discretionary.

4. EXPENDITURES NOT SUBJECT TO THE FREEZE

The spending freeze shall not prevent the School from making expenditures necessary to maintain essential operations, comply with legal or regulatory requirements, or protect the health and safety of students and employees.

The following expenditures may continue during a discretionary spending freeze:

- Payroll and employee benefits;
- Required payroll taxes and statutory obligations;
- Rent, lease, and essential facility costs;
- Utilities and essential services;
- Insurance;
- Debt service and other contractual financial obligations;
- Required governmental fees and payments;
- Student transportation and other essential student services;
- Special education and legally required student services;
- Required instructional materials;
- Health and safety expenditures;
- Essential technology and systems necessary to maintain school operations;
- Grant expenditures that are required to meet grant requirements and are supported by available grant funding;
- Emergency expenditures necessary to protect students, employees, facilities, or school operations;



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- Other expenditures specifically approved by the Director as necessary to maintain essential operations.

5. APPROVAL OF EXCEPTIONS

An expenditure that would otherwise be considered discretionary may be approved during a spending freeze when the expenditure is determined to be necessary, time-sensitive, legally required, grant-required, or otherwise in the best interest of the School.

The Director, Mary Reynolds, Ed.D., or her designee, shall review and approve such exceptions.

Where appropriate, significant exceptions should be documented and reported to the Board of Directors as part of the School's regular financial reporting.

6. MONITORING AND REPORTING

The School's cash position and Days Cash on Hand shall be monitored as part of the School's regular financial management process.

When Days Cash on Hand approaches or falls below the 60-day threshold, the Director and the School's financial management team shall evaluate:

1. Current unrestricted cash;
2. Expected cash receipts and apportionments;
3. Upcoming payroll and benefits;
4. Accounts payable and other obligations;
5. Debt service requirements;
6. Anticipated revenue and expenditures; and
7. Any other factors that could materially affect the School's liquidity.

The School should use a forward-looking cash flow projection when determining whether a discretionary spending freeze is necessary.

7. RESTORATION OF DISCRETIONARY SPENDING

The discretionary spending freeze may be lifted when the School's projected cash position has been restored to a level that provides reasonable assurance of continued financial stability.

As a general standard, discretionary spending should not automatically resume immediately when cash reaches 60 days. The Director should consider projected cash flows, known obligations, enrollment and revenue trends, upcoming payroll and benefits, and other material financial risks before authorizing the resumption of discretionary expenditures.



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The Director may establish additional temporary spending controls when necessary to protect the School's financial position.

8. BOARD OVERSIGHT

The Board of Directors shall receive information regarding the School's liquidity position through regular financial reporting.

If Days Cash on Hand falls below 60 days, the Director shall communicate the financial condition and the implementation of the discretionary spending freeze to the Board of Directors.

The Director shall provide the Board with an update regarding the School's cash position, corrective actions, and anticipated timeline for restoration of discretionary spending.

9. POLICY ADMINISTRATION

The Director is responsible for administering this policy and ensuring that appropriate procedures are established to monitor cash liquidity and enforce the discretionary spending freeze when required.

This policy shall be reviewed periodically by the School to ensure that it continues to support sound financial management and the School's operational needs.

APPROVAL

By signing below, the undersigned acknowledges and approves the Sonoma Charter School Cash Reserve and Discretionary Spending Freeze Policy.

Mary Reynolds, Ed.D.

Director, Sonoma Charter School