st. croix preparatory academy

Annual Investment Program Report

Fiscal Year Ended June 30, 2026

Prepared for the St. Croix Preparatory Academy Board of Directors

Executive Summary

$5.58M	$215.7K	3.76%	95.5%
YEAR-END CASH & EQUIVALENTS	FY2026 INTEREST REVENUE (UNAUDITED)	CASH & INVESTMENT PORTFOLIO YIELD (UNAUDITED)	CASH POSITIONED TO EARN INTEREST

Cash Sweep: 3.75% at 6/30/26 | May 2026 CD Placements: 4.00%

FY2026 Overview

During FY2026, St. Croix Preparatory Academy undertook a comprehensive review of its historical cash-management and investment practices. The initiative grew from the Finance Committee's desire to more proactively manage the School's financial resources and evaluate opportunities to improve cash productivity and interest earnings while continuing to preserve the safety and liquidity required to support School operations.

Historically, SCPA's approach was conservative, straightforward to administer, and primarily centered on certificates of deposit. The review identified opportunities to formalize the investment governance framework through Policy 705, improve the consistency of investment decisions, actively manage banking relationships, and increase the percentage of available cash earning interest. FY2026 therefore marked an evolution from a primarily administrative approach toward a more structured and proactive cash-management framework, guided by the Policy 705 priorities of safety, liquidity, and return, in that order.

Key FY2026 Accomplishments

Adopted Policy 705 - Investments The Board adopted Policy 705 - Investments on February 17, 2026, establishing the School's first comprehensive written investment policy and formalizing objectives, oversight, and reporting expectations.	**Completed Banking & Cash-Management Review** SCPA evaluated its two incumbent banking partners and three additional local institutions, validating the existing relationships while identifying opportunities to use available treasury-management services more effectively.
Modernized Cash and CD Management A cash sweep was implemented on March 24, and the CD portfolio was restructured into predictable six-month decision points. Cash positioned to earn interest increased from approximately 75% at 8/31/25 to 95.5% at 6/30/26.	**Established Recurring Investment Oversight** Beginning in December 2025, monthly Finance Committee reporting was established to monitor cash balances, interest revenue, rate conditions, upcoming CD maturities, and key cash-management decisions.

Looking Ahead

FY2026 was primarily a year of program development and launch. During FY2027, SCPA will focus on optimizing and measuring the new structure, continuing to mature the administrative framework supporting Policy 705, establishing an appropriate performance benchmark, and formalizing competitive-rate documentation.

Unaudited data note: FY2026 interest revenue and portfolio yield are based on the School's final accounting records and remain subject to completion of the annual audit. Portfolio yield is calculated using accrued FY2026 interest revenue divided by average monthly beginning cash and equivalents.

Investment Program Background & Historical Review

The Finance Committee began a focused review of SCPA's investment and cash-management practices near the end of FY2025. As the Committee grew in membership and capacity, it identified cash productivity and interest earnings as an area where a more structured and proactive approach could improve financial outcomes while preserving the School's conservative risk posture.

Historical Approach

Area	Historical Practice
CD portfolio	At times, three to four individual CDs with terms including 3, 6, 7, and 12 months, spread across First Resource Bank and First State Bank & Trust.
Renewal process	Varied by maturity. Some CDs auto-renewed at the offered rate, principal, and term; other maturities were proactively reviewed and negotiated.
Operating cash	Cash outside CDs was held in an interest-bearing money market account at First Resource Bank and a non-interest-bearing checking account at First State Bank & Trust.
Liquidity planning	Cash balances are highly cyclical because state funding receipts and School expenses do not align evenly throughout the year. In the absence of a formal cash-flow forecasting process, investment balances were intentionally maintained conservatively to protect operating liquidity.

What the Review Found

Strengths of the Historical Approach	Primary Opportunities
Conservative and simple to administer; maintained appropriate operating liquidity; preserved principal; and relied on longstanding community banking relationships.	Increase the percentage of total cash earning interest; make CD maturities and allocation decisions more deliberate; formalize recurring reporting and investment decision processes; and manage banking relationships more proactively.

Strategic Conclusion

> The largest opportunity was not simply obtaining a higher CD rate. It was increasing the proportion of SCPA's total cash that could earn interest while remaining available for operations, and creating a more intentional structure for longer-term CD investments.

The historical review did not identify material investment losses or specific concerns requiring corrective action. The primary findings related to optimization, process formalization, and consistency.

Policy 705 & Governance Framework

Prior to February 2026, SCPA did not have a formal written investment policy. The Finance Committee used the MSBA/MASA Model Policy 705, publicly available peer-school policies, and Committee discussion to develop a policy tailored to SCPA's operating needs and conservative investment objectives. The Finance Committee reviewed the proposed policy before it was presented to the Board of Directors.

FY2026 Program Development Timeline

END FY25	DEC 2025	FEB 17	MAR 24	MAY 28	JUN 30
Focused cash and investment review begins	Monthly Finance Committee investment reporting begins	Board adopts Policy 705 - Investments	Cash sweep becomes operational	New 6- and 12-month CD structure placed	Core cash-management structure in place; administrative refinement continues

Recurring Finance Committee Oversight

Beginning in December 2025, the Investment Advisory Committee began preparing monthly investment reports for the Finance Committee. The reports include updated cash balances and interest revenue, analysis of the market and interest-rate environment, and key tasks or decisions associated with the cash-management initiative.

The Finance Committee now reviews upcoming CD maturities and potential allocation decisions in advance of implementation. This creates a recurring forum to consider current rates, liquidity needs, available alternatives, and the broader portfolio structure rather than treating each maturity as an isolated administrative event.

Leadership & Governance

Formal Authority	The Board of Directors has ultimate responsibility for the investment of School funds. The Board delegates day-to-day management of investments to the Investment Officer and Investment Advisory Committee.
Review Leadership	Board Treasurer Danielle Smith and Finance Committee member Jeff Standke led the review on behalf of the Committee.
Committee Role	The broader Finance Committee participated in an advisory and oversight capacity, including review of Policy 705 before Board presentation and recurring review of investment decisions.

Governance Framework Established During FY2026

FY2026 established the foundation of SCPA's written investment-governance framework. Policy 705, recurring Finance Committee oversight, the cash sweep structure, and the redesigned CD strategy were all established during the fiscal year. During FY2027, SCPA will continue to mature the administrative processes supporting the policy as part of the program's ongoing development.

Policy 705 prioritizes safety of principal, liquidity, and return/yield, in that order. The enhanced program is designed to improve cash productivity without changing that conservative priority structure.

FY2026 Portfolio & Investment Performance

$5.73M	$215.7K	3.76%	+4.2%
AVERAGE CASH & EQUIVALENTS	FY2026 INTEREST REVENUE (UNAUDITED)	CASH & INVESTMENT PORTFOLIO YIELD (UNAUDITED)	ABOVE FY2026 PROJECTION

Quarterly Performance

Period	Avg. Cash & Equivalents	Interest Revenue	Period Yield	Annualized Equivalent
Q1 Jul-Sep	$5,074,503	$53,030	1.05%	4.18%
Q2 Oct-Dec	$6,107,369	$60,355	0.99%	3.95%
Q3 Jan-Mar	$5,820,575	$54,405	0.93%	3.74%
Q4 Apr-Jun	$5,929,335	$47,948	0.81%	3.23%
FY2026	$5,732,946	$215,736	3.76%	—

Methodology: Portfolio yield is calculated using accrued interest revenue divided by average monthly beginning cash and equivalents. The denominator includes all cash and equivalents, including non-interest-bearing operating cash, to measure the productivity of the School's overall cash position. Quarterly annualized equivalents are shown for comparability to quoted bank rates.

Interest Revenue Context

Measure	Amount	Comparison
FY2025 Actual	$232,808	Prior-year actual
FY2026 Original Projection	$207,000	Budget / initial projection
FY2026 Unaudited Actual	$215,736	7.3% below FY2025; 4.2% above projection

FY2026 interest revenue was approximately 7.3% lower than FY2025 during a generally declining interest-rate environment, but finished 4.2% above the School's original $207,000 projection. The major cash-management enhancements were implemented late in FY2026, so FY2027 will provide the first full fiscal year in which the financial impact of the new sweep and CD structure can be evaluated.

June 30, 2026 Portfolio Composition

Institution / Account	Balance	Rate / Terms	% of Total
First State - Cash Sweep	$2,470,000	3.75% variable	44.25%
First State - Checking	$250,000	Non-interest-bearing	4.48%
First State - CD	$1,500,000	4.00% / 6 months	26.87%
First Resource - Money Market	$36,918	2.90% / liquid	0.66%
First Resource - CD	$1,325,000	4.00% / 12 months	23.74%

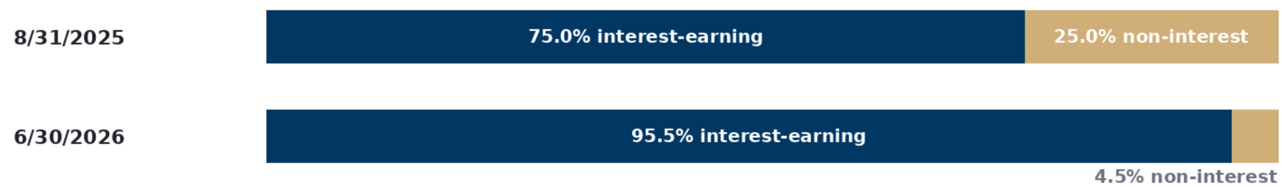
Cash Sweep & Cash Productivity Enhancement

The historical review identified the productivity of operating cash as the largest immediate opportunity for improvement. SCPA's cash balances can fluctuate materially because state funding receipts and operating expenditures do not occur on the same schedule. Historically, maintaining a large liquid balance appropriately protected School operations, but at times resulted in a substantial portion of available cash being held in low- or non-interest-bearing accounts.

Before and After: Cash Positioned to Earn Interest

Measure	8/31/2025	6/30/2026	Change
Cash & Equivalents	$5.68M	$5.58M	Comparable overall balance
Positioned to Earn Interest	~75.0%	95.5%	+20.5 percentage points

Cash Productivity Mix



Sweep Structure

Implementation date	March 24, 2026
Required operating checking balance	$250,000 remains unswept by agreement with First State Bank & Trust
Sweep rate at 6/30/26	3.75% at 6/30/26; variable, subject to prior notice of rate changes
June 30 sweep balance	$2.47 million

Economic Impact

At the June 30 balance and 3.75% rate, the $2.47 million sweep balance represents approximately $92,600 of annualized interest-earning capacity while remaining available to support operating liquidity. The reduction in non-interest-bearing cash from approximately $1.42 million at 8/31/25 to $250,000 at 6/30/26 represents roughly $1.17 million of additional cash positioned to earn interest.

Annualized earning-capacity figures are illustrative, not realized FY2026 revenue. Actual results depend on daily cash balances and future changes in the sweep rate.

Strategic CD Ladder

During the first part of FY2026, SCPA used a combination of shorter-term CDs as an interim approach while the Finance Committee finalized the broader cash sweep and CD ladder strategy. The redesigned structure was implemented on May 28, 2026 and was in place by fiscal year-end.

May 28, 2026 CD Placements

Institution	Principal	Rate	Term	Strategic Role
First State Bank & Trust	$1,500,000	4.00%	6 months	Initial six-month review point
First Resource Bank	$1,325,000	4.00%	12 months	Longer fixed-rate term / alternating maturity

Target Decision Cadence

MAY 2026	NOV 2026	MAY 2027	EVERY ~6 MONTHS
Two staggered CDs established	6-month CD review / potential 12-month renewal	Original 12-month CD review	Repeat allocation review and reinvestment decision point

Why the New Structure Improves the Process

- Predictable decision points. The Finance Committee can review allocation strategy on a consistent approximately six-month cadence.
- More deliberate maturity management. Principal amounts and terms are selected as part of the overall cash strategy rather than automatically carrying forward prior terms.
- Staggered maturity timing. Spreading CD maturities across different dates reduces the amount coming due at any one time and preserves recurring opportunities to respond to changes in rates and liquidity needs.
- Operating liquidity is separated from longer-term CD allocation. The cash sweep acts as the primary operating-liquidity vehicle, allowing CDs to be managed more strategically.

Competitive Rate Selection

When the May 28 CDs were placed, SCPA compared rates from both primary banking partners before making the placements. The School used the higher rate offered by one institution to obtain a matching 4.00% rate from the other, preserving both relationships while securing competitive pricing.

The new ladder is intended to improve consistency and flexibility rather than increase investment risk. SCPA does not currently anticipate a material change to its investment-instrument mix during FY2027.

Banking Relationship Review

As part of the FY2026 cash-management initiative, the Finance Committee undertook a structured review of SCPA's banking relationships and available market alternatives. The objective was to validate that the School's existing banking structure continued to meet its financial and operational needs, evaluate available cash-sweep and treasury-management capabilities, and determine whether a change in banking relationships was warranted.

Institutions Included in the Review

Incumbent relationships	First Resource Bank and First State Bank & Trust
Additional local institutions	Three additional local/regional banking institutions were included to provide comparison across account structures, treasury-management capabilities, relationship models, and rate offerings.
Broader market perspective	A national banking institution was also contacted to provide an additional market perspective.
Review considerations	Banking capabilities, cash-sweep availability, account structure, relationship management, pricing, local presence, community involvement, and experience serving Minnesota charter schools.

Review Process

1	2	3	4
Common questionnaire	**Live interviews**	**Comparative review**	**Decision & follow-up**
Standard information requested from participating institutions	In-person or virtual discussions with School representatives	Account offerings, relationship management, sweep availability, and rate offers	Retain incumbent partners and establish an annual banking relationship review process

Review Conclusion

The review demonstrated that multiple institutions in the market offered capabilities that could potentially meet SCPA's banking and cash-management needs. After evaluating those alternatives, the Finance Committee determined that the School's incumbent banking partners continued to provide the products, service capabilities, institutional knowledge, responsiveness, and community relationships needed to support the enhanced cash-management strategy. As a result, a change in banking relationships was not warranted at this time.

The process nevertheless provided meaningful value by validating the current relationships, identifying treasury-management capabilities that could be more fully utilized, and establishing a more proactive approach to ongoing banking relationship management.

Ongoing Relationship Management

> Going forward, SCPA intends to conduct an annual review of banking relationships, account structures, services, and pricing. The goal is to preserve the benefits of longstanding community relationships while periodically validating that available products, service levels, and pricing remain aligned with the School's evolving needs.

The review was intended to validate SCPA's banking structure and available alternatives rather than serve as a formal competitive procurement or ranking of financial institutions.

FY2027 Priorities & Recommendations

FY2026 focused on developing SCPA's enhanced investment and cash-management framework. During FY2027, the emphasis should shift toward consistently executing, documenting, and measuring the structure now in place rather than adding unnecessary investment complexity.

1 Policy 705 Administrative Refinement

Continue refining the administrative processes that support Policy 705 to promote consistent documentation, reporting, and execution of the Board-approved framework.

2 Establish a Performance Benchmark

Establish a benchmark methodology that reflects the different purposes of operating liquidity and term investments, using FY2026 portfolio yield as an initial baseline.

3 Standardize Competitive Quote Documentation

Continue the competitive rate-shopping process while maintaining a consistent record of quotations received, the selected investment, and a brief decision rationale.

4 Measure & Optimize the Structure

Monitor cash productivity and realized interest revenue and yield; use the six-month CD cadence for recurring allocation reviews; and conduct an annual banking relationship review.

FY2026 Takeaway

The FY2026 initiative advanced SCPA's cash-management and investment program toward a more structured, documented, and deliberate framework. The School maintained its conservative emphasis on safety and liquidity while increasing the productivity of available cash and creating a repeatable structure for oversight and investment decisions. FY2027 will provide the first full fiscal year in which the financial and operational benefits of the enhanced structure can be evaluated.

Investment Strategy Outlook

> SCPA does not currently anticipate a material change to its investment-instrument mix or overall allocation strategy during FY2027. The immediate objective is to execute the new sweep and CD structure consistently, evaluate whether it is delivering the intended benefits, and continue strengthening the administrative framework that supports it.

Submitted to the Board of Directors in accordance with Policy 705, Section XIV.C, which requires the annual investment report within 90 days after fiscal year-end. Supporting monthly cash and interest-revenue detail, calculation methodology, and underlying portfolio schedules are maintained with SCPA's investment reporting records and are available upon request.