



Reserve Policy

Adopted by the Board of Directors 11.23.20 | Amended 8.15.22 | Amended 3.27.23

PURPOSE

The purpose of this Reserve Policy is to maintain an adequate level of unrestricted net assets to support any unforeseen cash shortfalls of the organization's day-to-day operations. With approval of the Board of Directors, the reserve may also be used for opportunities that may arise during the year for one-time, non-budgeted/nonrecurring expenditures that will build long-term capacity or further the mission of the organization.

DEFINITIONS AND GOALS

The Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The target level of the Reserve Fund will be to maintain 3-6 months annual operating expenses in the fund. The organization intends for any reserves that are used to be replenished within a reasonable period. The Reserve Fund balance will be evaluated annually by staff and can be adjusted by the Board of Directors in response to internal and external changes.

ACCOUNTING FOR RESERVES

The Reserve Fund will be recorded in the financial statements as "Board Designated Operating Reserve". The Reserve Fund will be funded and maintained in a segregated bank account.

AUTHORITY TO USE RESERVES

Use of Funds for General Operating Cash

In the event the use of reserves is needed for general operating cash shortfalls, the Finance and Administrative Specialist will identify the need for access to reserve funds and will prepare a request that will require analysis of the sufficiency of the current level of reserve funds, an evaluation of the time period for which funds will be required, and an estimated timeline and plan for replenishment of the funds. The analysis of the current level of reserve funds will include any unused credit from established Lines of Credit (LOC) with Banking Partners. That request will be submitted and approved by the Executive Director. The use of reserves will be reported to the Board of Directors at their next scheduled meeting including the amount of funds used and plans for replenishment to restore the reserve fund and/or payoff balance of any advancement from established LOC to the target amount.

Use of Funds for Opportunity/Capacity Building Expenditure

In the event that the use of reserves is needed for non-budgeted, non-recurring expenses that will build long-term capacity or further the mission of the organization, the Executive Director and/or the Finance and Administrative Specialist will prepare a formal request to the Board of Directors for approval that will include details surrounding the proposed expenditure, rationale for the request, and plans for replenishment of the reserves used. Reserve Funds cannot be used for opportunity/capacity building expenses unless approved by the Board of Directors.

REPORTING AND MONITORING

The Executive Director and Finance and Administrative Specialist are responsible for ensuring that the Reserve Fund is maintained and used only as described in this policy and will report the balance of the Reserve Fund to the Board of Directors on a regular basis in conjunction with the preparation of the financial statements and associated financial reports.