

Rotary Club of Livermore

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27. OPERATING RESERVES POLICY

PURPOSE

The purpose of the Operating Reserves policy for the Rotary Club of Livermore is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the Rotary Club of Livermore for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with the other governance and financial policies of the Rotary Club of Livermore and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a period of time set by the Board of Directors, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to six months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as grants, community service projects, international service projects, and ongoing professional services. The calculation of average monthly expenses excludes some expenses such as pass-through programs.

The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Board of Directors, and included in the regular financial reports.

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in a segregated bank account or investment fund, in accordance with investment policies.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

USE OF RESERVES

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The President and Treasurer together will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

2. Authority to use operating reserves

Authority for use of up to \$1,000 of Operating Reserves is delegated to the Club President in consultation with the Treasurer. The use of Operating Reserves will be reported to the Board of Directors at its next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve fund to the target minimum amount. The President must receive prior approval from the Board of Directors for use of Operating Reserves in excess of \$1,000.

3. Reporting and monitoring.

The Treasurer is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Treasurer will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Board of Directors of progress to restore the fund to the target minimum amount.

REVIEW OF POLICY

This Policy will be reviewed every other year, at minimum, by the President and Treasurer, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the President or Treasurer to the Board of Directors for its approval.