



The Quilt
Minimum Operating Reserve Policy

I. PURPOSE

The purpose of this Operating Reserve Policy for The Quilt is to build and maintain an adequate level of unrestricted net assets to support the organization’s day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds, fund ongoing expenses, or eliminate an ongoing budget gap. The organization intends for the operating reserves to be used and replenished within a reasonable period of time. This Operating Reserve Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

II. DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The operating reserve will be reviewed and adjusted annually in response to internal and external changes. The target minimum Operating Reserve Fund for The Quilt will be an amount sufficient to maintain ongoing operations a 6-month period of time based on average operating costs. Operating costs include the following items:

- Staff salaries
- General office
- Administration
- Member relations

The operating reserve fund target minimum should be calculated as part of the annual budget and approved by the board as part of the annual budget approval cycle. The reserve amount will be reported to the Finance Committee and Board of Directors, and included in the regular financial reports.

III. ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be commingled with the general cash and investment accounts of the organization.



The Quilt ***Operating Reserve Policy***

IV. 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.

The CEO, in consultation with the Treasurer and Finance Committee 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 Operating Reserve Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

V. AUTHORITY TO USE OPERATING RESERVES

The Chief Executive Officer will submit a request to use operating reserves to the Finance Committee of the Board of Directors. The request will include a detailed description of the proposed use of the funds and plans for replenishment. The organization's goal is to replenish the funds used within 18 months to restore the Operating Reserve Fund to the target minimum amount. The Finance Committee must unanimously recommend the request to the Board of Directors which must approve the expenditure with a 2/3 majority vote once quorum is established

VI. REPORTING AND MONITORING

The Chief Executive Officer, in consultation with the Treasurer and Finance Committee, is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval of the use of operating reserve funds, the CEO will maintain records of the use of funds and plan for replenishment. She/he will provide regular reports to the Finance Committee and/or Board of Directors of progress to restore the fund to the target minimum amount.

The Chief Executive Officer and/or Treasurer will annually discuss what additional risk factors might be considered for the organization and the impact of budgeting on operating reserve levels.

VII. RELATIONSHIP TO OTHER POLICIES

The Chief Executive Officer and/or Chief Financial Officer shall maintain board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.



The Quilt
Operating Reserve Policy

VIII. ADOPTION AND REVIEW OF POLICY

This Policy will be reviewed by the Finance Committee every two years at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors. Revisions to this policy must be adopted by the Board of Directors.