

# Havasu Community Health Foundation

## RESERVES POLICY

[Board Approval: October 20, 2016](#)

The purpose of the Operating Reserve Policy for the Havasu Community Health Foundation 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. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacities, such as staff development, research, and development, or investment in infrastructure.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the Havasu Community Health Foundation for Operating Reserves to be used and replenished within a reasonably short period. The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of the Havasu Community Health Foundation and is intended to support the goals and strategies contained in these related policies and strategic and operational plans.

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

The Board of Directors has set a reserves policy that requires:

Reserves are maintained at a level that ensures that the Havasu Community Health Foundation's core activity could continue during a period of unforeseen difficulty.

A proportion of reserves are maintained in a readily realizable form.

- I. The calculation of the required level of reserves is an integral part of the Foundation's planning, budget, and forecast cycle.

The HCHF's Reserves Policy takes into account:

- a. Risks associated with each stream of income and expenditure being different from that budgeted;
- b. Planned activities;
- c. To protect the continuity of HCHF's work;
- d. To protect HCHF's funds from loss in value e.g. market investments;
- e. To provide the capital needed to finance the expansion of HCHF for the benefit of our community;

*Continuation of HCHF'S Reserves Policy takes into account:*

- f. To provide the funds needed to replace assets;
- g. The current reserves level;
- h. Good financial management;
- i. How would our beneficiaries be affected?
- j. Commitments of HCHF

## **Standards -- HCHF Reserves**

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The Havasu Community Health Foundation Board of Directors shall properly consider what levels of reserves are needed:

- The Finance Committee shall arrangements for monitoring and reviewing the HCHF Reserves policy will be put in place?
- The Board of Directors believes the Foundation's reserves need to be maintained at a high level because we currently do not have the capability of grant writing or cultivating multiple major donors. A budget deficit could have an ongoing negative impact on our reserves; although, our Board maintains expectations of future growth.
- The Board of Directors is going to take the following steps to maintain reserves at the agreed level:

The reason HCHF needs to monitor our reserves is that our main source of income is unpredictable.

- Current economic environment is unstable
- Donor resource in our small community is limited

The most popular techniques used to establish an appropriate level of reserve were:

- Through a cash flow analysis
- Open communication with the Executive Director, Treasurer, and members of the finance committee Through an examination of past trends

*The NAAG is mostly concerned with "free reserves" (that is not permanent endowments or restricted funds). It does not question their existence but does require a justification for their level. A very large amount of reserves may not be serving the organization's objectives.*