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**SAMPLE RESERVE POLICY**

**ORGANIZATION NAME**

**RESERVE POLICY**

**APPROVED [DATE]**

1. PURPOSE

The ORGANIZATION NAME Board of Directors has approved the creation of a board-restricted cash reserve at its [DATE] board meeting. The purpose of this reserve shall be to ensure the long-term financial stability of the organization and allow it to continue to carry out its mission in the case of economic downturn or changes to the financial landscape of the organization. This Reserve Policy will be implemented in concert with the other financial and governance and policies of ORGANIZATION NAME and will be used as an internal source of funding in the case of sudden increases in expenses, unanticipated loss of revenue, or uninsured losses.

1. BALANCE & FUNDING OF CASH RESERVE

The target amount to be attained and maintained for the cash reserve is $150,000, representing 25% of average annual operating costs, or approximately three (3) months of expenses. To establish the reserve, the ORGANIZATION Board of Directors has designated $30,000 of the organization’s current liquid assets for the initial balance of the fund. The remaining $120,000 is to be funded over the next four (4) fiscal years in bi-annual deposits of $15,000, plus any year-end budget surplus. The ORGANIZATION will incorporate new fundraising strategies into the annual budget to accumulate these funds.

1. CASH RESERVE ACCESS AND USE

The Executive Director of ORGANIZATION may access up to 20% of the total reserve for purposes outlined in Section I. Before accessing the reserve, the Executive Director must provide a written notification to the Treasurer of the Board, and receive a written acknowledgement of the reserve usage in return. Email and fax are acceptable as forms of written notification and acknowledgement.

If the Executive Director wishes to borrow funds greater than 20% of the total reserve, they must submit a written request to the Finance Committee that analyzes the need for borrowing from the Reserve Fund and provides a structured schedule of repayment. The Finance Committee must issue a written approval of the repayment schedule before funds can be used. If full repayment will take longer than 12 months, then the repayment schedule must also be approved by a ⅔ vote of the Board of Directors.

At any time that a borrowed amount from the reserve fund is outstanding, the status of the borrowed amount and payments made against the repayment schedule must be reviewed at every regularly scheduled Board meeting.

1. MANAGEMENT OF THE CASH RESERVE

The Executive Director of ORGANIZATION will establish a separate bank account that is only for the reserve fund, accessible only to the Executive Director, Board Treasurer, and Chair of the Finance Committee. Procedures for reconciling statements and handling deposits will be the same as those established by the Board for ORGANIZATION’s other bank accounts. The Reserve will be listed separately as “Cash Reserve Fund” in the net assets section of the organization’s statements of financial position. Longer-term borrowings will be shown as a liability in internal financial reports.

It is the responsibility of the Executive Director to ensure that the reserve fund is managed and maintained in accordance with the guidelines of this policy. When use of reserve funds is approved, the Executive Director has the responsibility of maintaining records of the use of funds and updating the Board on progress towards full replenishment of the fund.

1. CASH RESERVE SHORTFALLS

If the reserve balance is less than 80% of the targeted reserve level established in Section II for two consecutive years, the Board of Directors must (absent any extraordinary financial circumstances) adopt an operating budget which includes a projected surplus sufficient to replenish the reserve up to targeted reserve levels within two (2) fiscal years.