

WHITLEY LODGE UNDER FIVES

OPERATING RESERVES POLICY

Purpose

The purpose of the Operating Reserve Policy for Whitley Lodge Under Fives is to ensure the stability of the mission, employment, ongoing operations of the organisation and to ensure sufficient funds for staff redundancy payments in the event that Whitley Lodge Under Fives closes. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, onetime 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 capacity, 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 Whitley Lodge Under Fives for Operating Reserves to be used and replenished within a reasonably short period of time to ensure there are sufficient funds for redundancies should Whitley Lodge Under Fives cease operations. The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of Whitley Lodge Under Fives 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 a designated fund set aside by action of the Trustees. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months and to ensure sufficient funds for staff redundancy payments should Whitley Lodge Under Fives cease operations. 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 2-3 months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, rent, utility bills and resources. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes one-time or unusual purchases. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Trustees, and included in the regular financial reports.

Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as 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.

Funding of Reserves

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Trustees 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 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 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 Operating Reserves is delegated to the Chair in consultation with the Treasurer, Trustees and Staff. The use of Operating Reserves will be reported to the committee at their 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 Chair must receive prior approval from the Trustees if the Operating Reserves will take longer than 12 months to replenish.

3. Reporting and monitoring.

The Chair 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 Trustees of progress to restore the Fund to the target minimum amount.

Relationship to Other Policies

Whitey Lodge Under Fives playgroup shall maintain relevant policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

Review of Policy

This Policy will be reviewed every year, at minimum, by the Committee, or sooner if warranted by internal or external events or changes.

First Adopted: 12th June 2024 at a committee/trustees meeting.