

## **CLARK COUNTY QUILTERS OPERATING RESERVES POLICY**

### Purpose

The purpose of the Operating Reserves Policy for Clark County Quilters is to ensure the stability of the mission, programs, 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 be used for one-time, nonrecurring expenses that will build long-term capacity, such as investment in quilt show equipment. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Clark County Quilters for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors.

### Amount

The target minimum Operating Reserve fund shall be equal to one year of the annual expenses. The calculation of annual expenses includes all budgeted expense line items. The calculation of annual expenses excludes some expenses, such as equipment purchases, pass-through programs (retreats), and one-time or unusual expenses. The amount 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 comingled with the general cash of the organization in established bank accounts. The amount in the reserve shall be shown as a separate line item in the list of assets of the organization.

### 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, bequests, or special grants.

### Use of Reserves

Any committee chairperson may submit a request to the Board of Directors to use Operating Reserves and confirm that the use is consistent with the purpose of the reserves and only if the expense meets the general guidelines for reimbursable expenses. The chairperson will identify the reason for the shortfall, the availability of any other source of funds before using reserves, and evaluation of the time period that the funds will be required and replenished. The Board of Directors may approve, refuse, or modify the request. If approved or modified, the request shall then be submitted to the guild membership for final approval. If the request is approved by the membership, the treasurer shall transfer funds from the operating reserves to the committee.

None of the funds shall be used for the personal gain or enjoyment of a member of the guild, including reimbursement for mileage or entertainment.

The organization's goal is to replenish the funds used within 12 months to restore the Operating Reserve Fund to the target minimum amount.

Use of funds shall be documented by a reimbursement form signed by the committee chairperson and the treasurer.

The treasurer will prepare an annual report showing the balance and use of the Operating Reserve Fund and provide this to the chairperson and to the audit committee at the end of the fiscal year.

#### Review of Policy

This Policy will be reviewed every other year, at minimum, by the budget committee, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the budget committee to the Board of Directors.