

5/4/2017

Cash Operating Reserve Policy

The First Tee of Central Coast

PURPOSE

The purpose of the Cash Operating Reserve Policy for Central Coast Junior Golf, INC, doing business as The First Tee of Central Coast, 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 operating funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss of 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, program expansion, or investment in equipment and 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 First Tee of Central Coast for Operating Reserves to be used and replenished within a reasonably short period of time.

The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of The First Tee of Central Coast and is intended to support the goals and strategies contained in those related policies and in the strategic and operating plans. The First Tee of Central Coast may also establish other reserve funds designated for specific purposes.

DEFINITIONS AND TARGET GOALS

The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. 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 a percentage of annual operating costs. 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 [40%] of the annual operating costs. The calculation of annual operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind and other non-cash expenses will not be included in the calculation. The calculation of annual expenses also excludes certain expenses such as pass-through programs, one-time capital purchases or unusual expenses. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual operating 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 a Board-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 or investment funds, in

accordance with the investment policies] OR [will be comingled with the general cash and investment accounts 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 also 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 Executive Director and staff will identify the need for access to the Operating Reserves 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. Authorization to use operating reserves.

The Executive Director will submit a request to use Operating Reserves to the Treasurer and the Finance Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within a reasonable period of time to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than twelve months to replenish, the request will be scrutinized more carefully. If approved, the Finance Committee will recommend the request for approval by the Board of Directors.

3. Reporting and monitoring.

The Executive Director 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 Reserves, the Executive Director will maintain records of the use of such funds and plan for replenishment. The Executive Director will provide regular reports to the Finance Committee and Board of Directors of the progress to restore the Fund to the target minimum amount.

REVIEW OF POLICY

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