

Marquette Neighborhood Association

Operating Reserve Policy

Approved 12/17/2018

Purpose:

The purpose of the Operating Reserve Policy for Marquette Neighborhood Association (MNA) is to ensure the stability of the mission, programs, and ongoing operations of the organization and to provide a source of internal funds for organizational priorities such as expanded program funding.

Definitions and Goals:

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. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of MNA 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. The target minimum Operating Reserve Fund is equal 50% of the following years budgeted program expenses plus a \$40,000 contingency in case a festival needs to be canceled or festival proceeds are down due to weather or other unforeseen circumstances. The amount of the Operating Reserve Fund target minimum 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 Funds will be recorded in the financial records as Board-Designated Net Assets. The reserve will be funded and available in cash or cash equivalent funds. Reserves may be commingled with the general cash and investment accounts of the organization. When possible, reserve funds will be invested in CD's with varying maturities as deemed appropriate in order to maximize the amount of interest earned on these funds.

Funding of Reserves:

The initial Operating Reserve will be funded with prior surplus unrestricted operating funds. Future replenishment of the reserve will be included as a line item on the annual budget until the reserve is brought back to the target minimum level.

Use of Reserves:

Use of the Operating Reserves requires three steps: 1) Identification of appropriate use of reserve funds; 2) Authority to use reserves by approval of 2/3 of the Board of Directors; and 3) Proper reporting and monitoring.

Review of Policy:

This Policy will be reviewed every January, at minimum, by the Executive Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Executive Committee to the Board of Directors.