



## **RESERVE POLICY**

Effective Date: February 1, 2021

### **PURPOSE**

To establish sound formal fiscal reserve policies, build adequate reserves to help stabilize/sustain the organization and support continued and future growth.

### **DEFINITION**

Reserves are defined as “surplus of unrestricted funds built up over time when the organization’s income is greater than expenditures.”

### **POLICY**

The Nonprofit Council will review all organizational surpluses at the end of each fiscal year annually to determine if any unrestricted funds may be set aside for reserves, as a risk management tool, in the event of an unexpected shortfall in reserves or for a specific purpose/program (as determined by the CEO).

### **PROCEDURE**

1. The board of directors along with the CEO of the organization will review the financial statements annually to determine if any funds will be set aside for reserves.
2. Reserve funds may be set aside for a specific purpose/project or for an unplanned cash flow shortage. Reserve funds may be used for day-to-day operations, any budgeted or unbudgeted organizational shortfall, as long as the board has been notified in advance about the use of the funds, the purpose and reason for their use and the funds have not been designated for another purpose.
3. Reserves will be designated as Board Designated Reserves under the Unrestricted Net Assets section for the balance sheet on the financials.