



LWVSFC OPERATING RESERVE POLICY

PURPOSE

The purpose of the Operating Reserve of the League of Women Voters of Santa Fe County (LWVSFC) is to ensure the stability of the organization in case of an emergency situation such as unanticipated increases in expenses, sudden loss of funding, or uninsured losses. Operating Reserve funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. They should be considered a temporary resource - 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 LWVSFC.

DEFINITION AND ACCOUNTING

The Operating Reserve is defined as a designated fund set aside by action of the LWVSFC Board of Directors. The target **minimum** amount to be maintained in the Operating Reserve will be an amount sufficient to fund ongoing operations for three months. The amount to be set aside in the Operating Reserve will be calculated by the Budget Committee each year as part of the budget development process, based on three months of fixed operating expenses in the proposed budget. The Operating Reserve will be recorded in the financial records as a Board-designated fund. Operating Reserve funds must be available in cash or cash equivalent funds.

FUNDING

The Operating Reserve 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 the Operating Reserve. Examples may include one-time gifts or bequests, special grants, or special appeals.

USE OF OPERATING RESERVE:

Use of the Operating Reserve requires three steps:

- 1. Identification of appropriate use of reserve funds:** The Board will identify the need for access to Operating 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:** Board approval is required prior to the use of any funds from the Operating Reserve. In case of emergency, the Executive Committee may approve the temporary use of Operating Reserve funds, but the approval of the full Board must be requested at the first opportunity.
- 3. Reporting and monitoring:** The Board is responsible for ensuring that the Operating Reserve is maintained and used only as described in this Policy. Upon approval of the use of Operating Reserve funds, the Treasurer will maintain a record of the use of funds and monitor the plan for replenishment. The Treasurer will provide regular reports to the Board of Directors of progress toward restoring the fund to the target minimum amount.