

SANDOVAL EXTENSION MASTER GARDENERS

OPERATING RESERVE POLICY

I. PURPOSE

The purpose of this Operating Reserve Policy for Sandoval Extension Master Gardeners (SEMG) is to build/maintain an adequate level of net assets without donor restrictions to support the organization's day-to-day operations in the event of unforeseen shortfalls. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The organization intends for the operating reserves to be used and replenished within a reasonable period of time.

II. DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the governing board. The minimum amount to be designated as operating reserves will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. 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 eighteen months of average recurring budgeted administrative costs.

In addition to calculating the actual operating reserve at the fiscal year-end, the operating reserve fund target minimum will be calculated each year after approval of the annual budget. These reserves will be reported to the Advisory Board and SEMG active membership and included in the regular financial reports.

III. ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the accounting system and financial statements as Advisory Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves kept in the bank account with the general cash and investment account of SEMG.

IV. FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus operating funds without donor/grantor restrictions.

The SEMG Chairperson and SEMG Treasurer will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Operating Reserve Policy. Determination of need requires analysis of the sufficiency of the current level of reserve

funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

V. AUTHORITY TO USE OPERATING RESERVES

The SEMG Chairperson and SEMG Treasurer will submit a request to use operating reserves to the Advisory Board. 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 six months to restore the Operating Reserve Fund to the target minimum amount. If the use of operating reserves will take longer than six months to replenish, the request will be scrutinized more carefully. The Advisory Board will approve or modify the request and authorize transfer from the Operating Reserve Fund.

VI. REPORTING AND MONITORING

The SEMG Chairperson and SEMG Treasurer are responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval of the use of operating reserve funds, the SEMG Chairperson and SEMG Treasurer will maintain records of the use of funds and plan for replenishment. Monthly reports to the Advisory Board of progress to restore the fund to the target minimum amount.

The SEMG Chairperson and SEMG Treasurer will annually discuss what additional risk factors might be considered for the organization, the impact of budgeting on operating reserve levels, and any requirements with funders or chartering organizations.

VII. REVIEW OF POLICY

This Policy will be reviewed by the SEMG Treasurer annually at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended and voted on for approval by the Advisory Board. The final Policy will be distributed to the SEMG active members.