

Financial Reserve Policy

Operating Cash Reserves

The purpose of the Operating Cash Reserves policy is to ensure the stability of the mission, programs, and ongoing operations of the North Bay Watershed Association (Association).

The Operating Cash Reserve (hereinafter “Reserve”) is intended to provide an internal source of cash for unexpected demands as may be experienced by the Association from time to time.

It is the intention of the Association for the Reserve to be used and replenished within a reasonably short period of time.

The Reserve is a target, which may not always be achieved, depending on circumstances and Board direction.

Definitions and Goals

The Reserve is defined as a pool of cash, set aside by action of the Board of Directors during its annual budget process.

The target minimum amount of the Reserve will be approved by the Board each year with approval of the annual budget. It is the intent of this policy to establish in the Reserve an amount sufficient to maintain ongoing operations and programs for a period equal to six months of ongoing operational expenses.

The calculation of the target amount will not include depreciation, in-kind services and/or onetime or unusual, capital purchases.

The Reserve will be funded with surplus unrestricted operating cash.

Use of Reserves

Access and use of funds held in the Reserve requires three steps:

1. **Identification of appropriate use of reserve funds.** The Executive Director will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the Reserve 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 the funds held in the reserve, and evaluation of the time period that may be required to replenish the funds.
2. **Authority to use operating reserves.** The Executive Director shall have the authority to approve the use of funds of up to \$10,000 from the Reserve. Expenditure of Reserve funds of more than \$10,000 must be approved by the Board. Funds will be replenished as is possible within the constraints of the Association’s cash flow.
3. **Reporting and monitoring.** The Executive Director is responsible for ensuring that the Reserve is maintained and used only as described in this Policy. Regular reports will be provided to the Board regarding the use of funds as may be required from the Reserve, as well as progress to restore the fund to the target minimum amount.

Review of Policy

This Policy will be reviewed annually by the Board, or sooner if warranted by internal or external events or changes.