

Financial Reserve Policy

North Bay Watershed Association

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 as possible within the constraints of the Association’s cash flow.

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

Definitions and Goals

The Reserve is defined as a pool of cash, set aside by action of the Board 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 Reserve will be funded with surplus unrestricted operating cash and will carry forward to the following fiscal year.

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

Emergency Definition and Discretionary Spending

Definition of Emergency: An emergency is an unforeseen and urgent situation that poses a significant risk to the organization's operations, financial stability, or ability to fulfill its mission. Examples include, but are not limited to:

- Critical operational disruptions that require immediate financial intervention to maintain services.
- Changes and Cancellations impacting organization’s contractual obligations or other planned commitments for an event or project due to unforeseen circumstances (e.g., natural disasters, public health emergencies), leading to a potentially significant financial loss.
- Other urgent situations declared by a two thirds majority vote of the Board.

Discretionary Spending Authority: The Executive Director is authorized to access funds no more than two times a fiscal year in the event of an emergency, subject to the following conditions:

1. *Identification of appropriate use of reserve funds and Board Chair Consultation:* The Executive Director must consult with the Board Chair to discuss the nature of the emergency and the proposed use of funds. This step requires analysis of the reason for accessing Reserve funds, the availability of any other sources of funds before using Reserve funds, and evaluation of the time period that may be required to replenish the funds. The Executive Director will confirm that the use is consistent with the purpose of the Reserve as described in this Policy.

2. *Approval*: To access funds, the Board Chair must approve an agenda item for the next regular or special board meeting to consider ratification of the reserve expenditure request.
3. *Reporting*: The Executive Director must provide a detailed report to the full Board, outlining the emergency, the amount of funds used, and the impact on the organization's operations. The Board will review the use of funds and develop a plan to replenish the reserves as soon as feasible, as well as progress to restore the fund to the target minimum amount.

The Executive Director is responsible for ensuring that the Reserve is maintained and used only as described in this Policy.

DRAFT 3