



# *NORTHWEST HUMAN RESOURCE MANAGEMENT ASSOCIATION*

## *OPERATING RESERVE POLICY*

### **I. PURPOSE**

The purpose of this Operating Reserve Policy for Northwest Human Resource Management Association (NHRMA) is to build and maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. 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. This Operating Reserve Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

### **II. DEFINITIONS AND GOALS**

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as operating reserve 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 twenty-four (24) months of average recurring operating 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 Board of Directors 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 Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained in segregated bank accounts or investment funds, in accordance with the investment policy.

### **IV. FUNDING OF RESERVES**



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

The President and/or 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 President will submit a request to use operating reserves to the Board of Directors. 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 twelve (12) to twenty-four (24) months to restore the Operating Reserve Fund to the target minimum amount. If the use of operating reserves will take longer than twenty-four (24) months to replenish, the request will be scrutinized more carefully. The Board of Directors will approve or modify the request and authorize transfer from the Operating Reserve Fund.

#### **VI. REPORTING AND MONITORING**

The Treasurer is 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 Treasurer will maintain records of the use of funds and plan for replenishment. The Treasurer will provide regular monthly reports to the Board of Directors of progress to restore the fund to the target minimum amount.

The President and/or Treasurer will annually discuss with the Board of Directors 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. RELATIONSHIP TO OTHER POLICIES**

The Treasurer shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund:

- Investment Policy, including risk tolerance

#### **VIII. REVIEW OF POLICY**

This Policy will be reviewed by the Board of Directors every year at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Treasurer to the Board of Directors. This policy, upon every revision hereof, must be distributed by the Treasurer to all members of the Board of Directors. The Treasurer will recommend financial policies, strategies, and



budgets that support the mission, values and strategic plan of the organization. The Treasurer may form a Finance Committee to assist with the responsibilities outline herein whose purpose is to ensure the financial health and integrity of the organization in pursuit of its mission to advance the Human Resource Profession by providing quality development, connection, and recognition opportunities in Alaska, Oregon, and Washington.

**The NHRMA Board of Directors approved this Northwest Human Resource Management Association Operating Reserve Policy during its annual strategic planning meeting on January 26, 2019.**