

CARLSBAD HIGH SCHOOL BAND BOOSTERS

OPERATING RESERVE POLICY

I. PURPOSE

The purpose of this Operating Reserve Policy for Carlsbad High School Band Boosters is to build and maintain an adequate level of net assets without donor restrictions to support the organization's day-to-day, short-term operations in the event of unforeseen shortfalls. The reserves may also be used for special purpose one-time, nonrecurring expenses that will build long-term capacity.

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 Bylaws 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 Operating Reserve Fund will be made up of two categories:

1. Unrestricted Operating Reserve Funds: will be established in an amount sufficient for maintaining ongoing operations and programs for a set period of time, measured in months. The *target* minimum balance will be equal to three months of average recurring operating costs. The following two formulas can be used for calculating the minimum fund balance:

a) Current Year Total Forecasted Expense Budget x 25% **Or**

b) Prior Year Actual Average Monthly Expense Budget x 3 months.

In addition to calculating the actual operating reserve balance at the fiscal year-end, the unrestricted operating reserve fund target minimum will be calculated each year after approval of the annual budget.

2. Special Purpose Reserve Funds: can be established to set aside a portion of reserve funds, and then funded periodically, to save for a specific, future expenditure(s) that will need to be replaced due to the reduction in value of the particular asset from depreciation or obsolescence or, that is needed due to additional growth in the Band program. Examples include band owned musical instruments, band equipment and uniform replacement.

The operating reserves serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

III. ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the accounting system and financial statements as the Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained in a segregated, risk averse money market bank account, held at an FDIC insured U.S. Bank, named "Operating Reserves". Interest earned on the account will be electronically credited to

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the account at the end of each month by the bank and will be added to the current balance. The reserve balances will be reported to the Board of Directors at the monthly meetings and included in the regular Treasurer reports.

IV. FUNDING OF RESERVES

The Operating Reserve Fund will be funded only in the occurrence of surplus operating funds without donor restrictions (aka Net Revenue) determined at the close of the books for each fiscal year end (June 30th). At the first Board of Directors meeting of the new fiscal year, the Treasurer will report, if any, the total surplus operating funds. The Board will be asked to vote on how much of the surplus should go to the Unrestricted Operating Reserve Fund and how much, if any, to the Special Purpose Reserve Fund. Once approved, the Treasurer will electronically transfer the funds from the organization's checking account into the designated money market account.

In addition, 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.

V. AUTHORITY TO USE OPERATING RESERVES

The Executive Board (made up of the President, Vice President, Treasurer and Secretary) along with the advice from the Band Director, 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.

The Executive Board will submit a request to use operating reserves to the Board of Directors either at a monthly meeting, with the required quorum in attendance, or via email. 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 Board of Directors will vote to either: (1) approve the request and authorize transfer from the Operating Reserve Fund or (2) modify the request and authorize transfer from the Operating Reserve Fund or (3) decline the request.

If the request is approved by a majority vote, the Treasurer will electronically transfer the funds from the designated Operating Reserve money market account to the organization's checking account.

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VI. REPORTING AND MONITORING

The Executive Board 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 Executive Board will annually discuss what additional risk factors might be considered for the organization and the impact of budgeting on operating reserve levels.

VII. RELATIONSHIP TO OTHER POLICIES

The Parliamentarian shall maintain the organization's Board approved By-laws which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

VIII. REVIEW OF POLICY

This Policy will be reviewed by the Executive Board and Budget Committee at the annual Budget planning meetings at a minimum, or sooner, if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Executive Board to the Board of Directors for approval.

This policy, upon every revision hereof, must be made available for viewing and/or distributed to all Board of Director members. The Executive Board and Budget Committee is established by the By-Laws to recommend financial policies, strategies, and budgets that support the mission, values and strategic plan of the organization. Its purpose is to ensure the financial health and integrity of the organization in pursuit of its mission to support Carlsbad High School Bands.

The above mentioned Carlsbad High School Band Boosters Operating Reserve Policy was approved and adopted by the Board of Directors of the Carlsbad High School Band Boosters on <insert date>.