Early Learning Coalition of Manatee County

Operating Reserve and Investment Policy

Purpose

The purpose of the Operating Reserve Policy for the Early Learning Coalition of Manatee Countyis to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time,nonrecurring expenses that will build long-term capacity, such as staff development, researchand development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of theEarly Learning Coalition of Manatee County for Operating Reserves to be used and replenishedwithin a reasonably short period of time. The Operating Reserve Policy will be implemented inconcert with the other governance and financial policies of the Early Learning Coalition of Manatee County and is intended to support the goals and strategies contained in these relatedpolicies and in strategic and operational plans. Since the Early Learning Coalition of Manatee County is prohibited from using State funds to maintain a reserve, the reserves will be developedthrough private donations and other revenue-generating activities. Therefore, the goals beloware realistic and modest, given the aforementioned circumstances.

Definition and Goals

The Operating Reserve Fund is defined as a 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 inmonths. 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 one month of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expensessuch as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses such aspass-through programs, one-time or unusual expenses, or capital purchases.

The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee and the Board of Directors, and included in the regular financial reports**.**

Accounting for Reserves

When established by the Board, the Operating Reserve Fund will be recorded in the financial records as Operating Reserve. The Reserve will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in a segregated bank account or investment fund, in accordance with investment policies.

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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.

Use of Reserves

Use of the Operating Reserves requires three steps:

a. **Identification of Appropriate Use of Reserve Funds.**
The Chief Executive Officer and staff 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 Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

b. **Authority to Use Operating Reserves**
Authority for use of up to $20,000 of Operating Reserves is delegated to the Chief Executive Officer. The use of Operating Reserves will be reported to the Executive Committee/Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The Chief Executive Officer must receive prior approval from the Treasurer and/or Chair of the Executive Finance Committee for use of Operating Reserves in excess of$20,000, and is to be reported to the full board at the next scheduled Board of Directors meeting.

c. **Reporting and Monitoring**
The Chef Executive Officer is responsible for ensuring that the Operating Reserve Fund is maintainedand used only as described in this Policy. Upon approval for the use of Operating Reserve funds, theChief Executive Officer will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Executive Finance Committee and Board of Directors of investment performance and progress to restore the Fund to the target minimum amount.

Relationship to Other Policies

The Early Learning Coalition of Manatee County, Inc. shall maintain the following board-approved policy, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

- Fiscal Policy

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Investments

Following are the investment guidelines for the investment of the operating reserve fund:

a. Maturity for each investment should be no more than 3 years; and
b. At least 10% of the portfolio should have a maturity of less than 90 days.
c. Investment proceeds will be limited to the amount earned in an interest-bearing account, which shall be the only investment utilized unless alternative is specifically directed by Board.

Policy Review

This Policy will be reviewed every other year, at minimum, by the Finance Committee, or soonerif warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.