



PURPOSE

It is the intent of The Education Foundation of Collier County to ensure the stability of the mission, programs, employment, and ongoing operations of the Foundation. 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 of funding, or to bridge the temporary operating deficit cause by a delay in collecting receivables. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of The Education Foundation of Collier County for Operating Reserve to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with the other governance and financial policies of The Education Foundation of Collier County and is intended to support the goals and strategic plans of the Foundation.

DELEGATION

The Board of Directors of the Education Foundation of Collier County (the "Board of Directors") has delegated supervisory authority over its financial affairs to the Finance Committee of the Board of Directors. The Finance Committee is responsible for regularly reporting on cash availability to the full Board. In carrying out its responsibilities, the Finance Committee and its agents will act in accordance with these Reserve Policies and all applicable laws and regulations. The Board reserves the exclusive right to revise these policies.

GOALS

The Operating Reserve Fund is defined as the designated fund set aside by the 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 operation 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 three (3) months of average administrative operating costs. The calculation of the average monthly administrative costs is based on the current budget year and includes all recurring and predictable expenses such as salaries and benefits, rent, office, travel, and on-going professional services. Depreciation, in-kind and other non-cash expenses are not included in the calculation. Also excluded from the calculation is capital, one-time and unusual purchases.

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

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as such. The fund will be funded and available in cash or cash equivalent funds. Operating funds will be maintained in a separate bank account or investment fund in accordance with investment policies.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded by surplus unrestricted operating funds. The Finance Committee may from time to time direct that a specific source of revenue may be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals. Funds may also be directed into the Operating Reserves by donor designation.

USE OF RESERVES

Use of the Operating Reserves requires:

1. The President will identify the need to access the Reserve Fund and confirm that the use is consistent with the purpose of the reserves as described in this policy. This step will require 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.
2. Authority to use the Operating is delegated to the Treasurer or in his/her absence, the Chair or Vice Chairs, in consultation with the President and the Vice President of Finance. The use of the Operating Reserve 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 the funds and plans to replenish or restore the Operating Reserve to target minimum. The Executive Committee must approve the use of any Reserve Funds that will take longer than 12 months to replenish.
3. The President is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of the Operating Reserve Fund, the VP of Finance will maintain records of the use of funds and plans for replenishment. He/She will provide regular reports to the Treasurer of the progress to restore the funds to the target level.

REVIEW OF POLICY

This Policy will be reviewed each year by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.