

OPERATING RESERVE FUND POLICY

PURPOSE

The purpose of the Operating Reserve Fund Policy for CISV International is to ensure the stability of the mission, programs, and ongoing operations of the organization.

The Operating Reserve Fund Policy will be implemented in concert with the other governance and financial policies of CISV International and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

The Operating Reserve Fund 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 Operating Reserve Fund may also be used for one-time, nonrecurring expenses that will build long-term capacity, research and development, or investment in infrastructure.

The Operating Reserve Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of CISV International for the Operating Reserve Fund to be used and replenished within a reasonably short period of time.

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as a designated fund set aside by action of the Governing Board. The minimum amount to be designated as Operating Reserve Fund 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 Fund serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

Minimum Operating Reserve Fund

The target minimum Operating Reserve Fund is equal to **six (6) months** of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such 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 as one-time or unusual, capital purchases.

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

Maximum Operating Reserve Fund

The target maximum Operating Reserve Fund is equal to **twelve (12) months** of average operating costs. If the Operating Reserve Fund exceeds **twelve (12) months** of average operating costs the Resources and Infrastructure Committee may recommend that any greater amount may be reserved (restricted) for a particular project as approved by the Governing Board.

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as Operating Reserve.

The Operating Reserve Fund will be funded and available in cash or cash equivalent funds. The Operating Reserve Fund may be maintained in a segregated bank account or investment fund, in accordance with investment policies **OR** may be commingled with the general cash and investment accounts of the organization.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Governing Board may from time to time direct that a specific source of revenue be set aside from the Operating Reserve Fund. Examples may include one-time special grants or special appeals.

USE OF RESERVES

Use of the Operating Reserve requires three steps:

1. Identification of appropriate use of reserve funds.

The Resources and Infrastructure Committee will identify the need for access to the Operating Reserve Fund 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 potential use of reserves, the availability of any other sources of funds before using the Operating Reserve Fund, and evaluation of the time period that the funds will be required and replenished.

The Operating Reserve Fund may function as a “float” during the year for cash flow purposes when CISV International awaits payments from National Associations.

2. Authority to use operating reserves

The Chair of the Resources and Infrastructure Committee will submit a request to use Operating Reserves to the Governing Board. The request will include the analysis and determination of the use of funds and plans for replenishment.

Should the Operating Reserve Fund fall below the target minimum amount, the organization’s goal is to replenish the funds used within a reasonable period of time to restore the Operating Reserve Fund to the target minimum amount.

The Governing Board will approve or modify the request and authorize transfer from the Operating Reserve Fund.

3. Reporting and monitoring.

The Secretary General/Fiscal Officer 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 Operating Reserve funds, the Secretary General/Fiscal Officer will maintain records of the use of funds and plan for replenishment, if required. He/she will provide regular reports through the Resources and Infrastructure Committee to the Governing Board including the progress to restore the Operating Reserve Fund to the target minimum amount.

REVIEW OF POLICY

This Policy will be reviewed every three years, at minimum, by the Resources and Infrastructure Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Resources and Infrastructure Committee to the Governing Board