



## OPERATING RESERVE POLICY

The purpose of the Operating Reserve Policy for Tucker's House is to ensure the stability of the mission, programs, employment and ongoing operations of the organization. It also provides a source of internal funds for organizational priorities like capacity expansion, capital improvements, and growth opportunities.

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**AT TUCKER'S HOUSE, WE ARE COMMITTED TO THE FOLLOWING POLICY:**

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### **DEFINITIONS & USES:**

- The Operating Reserve Policy is operated in concert with the other governance and financial policies of Tucker's House in the bylaws. It is intended to support the overall mission, organizational strategy, and operating plans of the organization.
- The **Operating Reserve Fund** is funded with surplus unrestricted operating funds. The Board of Directors may by majority vote direct funds in the Operating Reserve Fund. They may also by majority vote direct that a specific source of revenue be set aside in the Operating Reserve Fund.
- The Operating Reserve Fund is intended to provide ongoing viability to Tucker's House. It is intended for use in situations like a sudden increase in expenses, one-time unbudgeted expenses, unanticipated losses in funding, or uninsured losses. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.
- The target minimum amount is an amount sufficient to maintain ongoing operations measured for a set period of time that is measured in months. The

Operating Reserve Policy is dynamic and is reviewed on an ongoing basis and adjusted in response to internal and external changes.

- It is recommended that this Policy be reviewed each year during the budgeting process, or sooner if warranted by internal or external events or changes. Changes or amendments to the Policy will be recommended by the Executive Director and/or Treasurer and be adopted by a majority vote of the Board of Directors.

## GOALS:

- The **target minimum** of Operating Reserves for Tucker's House is equal to **six months of average operating costs** (\$60,000/month as of December 2023). The calculation of average monthly operating costs includes all recurring predictable expenses such as salaries, benefits, program costs, rent, office, and ongoing professional or software services. Depreciation, in-kind or other non-cash donations, and event expenses are not included in the calculation. The Operating Reserves goal is allocated in the following manner:
  - Three Months average operating costs in the **Operating Account** as an average balance (\$180,000 as of December 2023)
  - Three Months average operating costs in the **Reserve Account** as an average balance (\$180,000 as of December 2023)
  - Once the average account balance exceeds \$250,000 at a single institution, an ICS sweep account or separate account at a different institution is recommended due to FDIC regulations.
- When the balance of three months average operating costs is exceeded in the Operating Account, Tucker's House staff can allocate funds into a separate **Intermediary Account** without majority vote of the Board of Directors and these are not board designated assets. It is recommended that this Intermediary Account be an interest savings account.
- When Tucker's House has achieved the Operating Reserve goal of six months average operating costs, additional surplus unrestricted operating funds will establish an **Investment Account**. A separate Investment Account policy and plan will be adopted at such time.
- When Tucker's House plans to engage in capacity expansion activities or opportunities than a **Capacity Expansion Fund** will be created. The target amount of this fund will be determined by the strategic initiatives for capacity growth and expansion of the organization.

## ACCOUNTING FOR RESERVES:

- The Operating Reserve Fund consists of commingled funds from **Board-Designated** funds for operating reserves and **Donor-Restricted** funds for donors that contribute to the Sunny Rosanblam Legacy Fund. The Legacy Fund was created in 2022 when Tucker's House Founder, Sunny Rosanbalm, retired and a campaign was launched to set aside funds for capacity expansion activities.
- The use of the Operating Reserve Fund requires three steps:
  1. **Identification of appropriate use of reserve funds.** The Executive Director and staff will identify the need to access the Operating Reserve Fund and confirm that the use is consistent with the purposes outlined in this Policy.
  2. **Authority to use reserves.** The Executive Director will submit a request to use the Operating Reserve Fund to the Treasurer and/or Executive Committee that includes how the funds will be spent and plans for replenishment.
  3. **Reporting and monitoring.** The Executive Director and staff are responsible for ensuring the reserve funds are maintained and used only as described in this Policy in conjunction with the Board of Directors.

*Last updated December 2023*