

OPERATING RESERVE POLICY

Preamble

The Operating Reserve policy is 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 sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Operating Reserve may be used for one-time, nonrecurring expenses that will build long-term capacity, such as 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 for Operating Reserves 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 Maria Montessori Academy and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Policy

The Operating Reserve Fund is defined as the 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 in months.

The target Operating Reserve Fund is equal to six months of average operating expenses.

The amount of the Operating Reserve fund target will be calculated each year after approval of the annual budget and reported to the Finance Committee/Board of Directors.

Administrative Procedures

The Operating Reserves will be comingled with the general cash and investment accounts of the organization. Operating Reserves will be funded and available in cash or cash equivalent funds. The Operating Reserve Fund will be funded with surplus unrestricted operating funds.

Use of the Operating Reserves requires three steps:

- 1. Identification of appropriate use of reserve funds.**

The Principal and Comptroller 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.

- 2. Authority to use operating reserves**

The Principal and Comptroller will submit a request to use Operating Reserves to the Finance Committee. 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 fund used within twelve months to restore the Operating Reserves Fund to the target minimum amount. If the use of the Operating Reserve will take longer than twelve months to replenish, the request will be

scrutinized more carefully. The Finance Committee will recommend the request to the Board of Directors.

3. Reporting and monitoring

The Principal and Comptroller are responsible for ensuring that the Operating Reserves Fund is maintained and used only as described in this Policy. Upon approval of the use of Operating Reserve funds, the Principal and Comptroller will maintain records of the use of funds and plans for replenishment. The Comptroller will provide regular reports to the Finance Committee/Board of Directors of progress to restore the funds to the target minimum amount.

This Policy will be reviewed every other year, at minimum, 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.