Budget & Reserve Policy

Funded Board-Designated Operating Reserve Policy

- Philosophy-The establishment and maintenance of a Funded Board-Designated Operated Reserve is a high priority to enable OSI to support strategic business practices and to:
  a. Manage cash flow interruptions
  b. Minimize the need for working capital borrowing
  c. Meet commitments, obligations or other contingencies, and
  d. Generate investment income
- Policy
  a. The purpose of this policy is to establish and maintain a Funded Board-Designated Operating Reserve, unencumbered and uncommitted, at a level relative to the annual program funding and the costs of operating and maintaining the organization. The Operating Reserve is intended to serve a dynamic role and is available to be utilized as needed rather than being static, devoted only to general investment income.
- Definitions
  a. Board-Designated Operating Reserve-Amounts reported in the Unrestricted Net Assets section of the balance sheet and identified as Board-Designated Operating Reserve
  b. Cost of Operating and Maintaining the Organization-OSI's net expenses for Program Services and Administration, as reflected by the approved annual budget
  c. Funded Board-Designated Operating Reserves-A Fund consisting of liquid assets and investments. Liquid assets are those that may be converted to cash quickly and easily. It is not required that the Board-Designated Operating Reserve be physically segregated in a separate bank or investment account although OSI may decide to do so.
- Strategies and Procedures
  a. Board-Designated Operating Reserve shall be accounted for separate and apart from Undesignated Operating Funds.
  b. The Finance Committee will have the responsibility for developing and recommending policies and guidelines for the investment of the Operating Reserve assets and the Board of Directors will approve such policies and guidelines.
  c. The Operating Reserve goal will be to achieve and maintain between 75% and 125% of the Program Funding and Operating Costs
  d. After the budget has been approved, but no later than the beginning of each fiscal year, the Finance Vice-Chair will review the adequately of the Bord-Designated Operating Reserve and if necessary, will recommend changes to the Board of Directors
- Sources
  a. Assets for the Board-Designated Operating Reserve accounts will come from the retained earnings of the organization.

- Uses
    a. Internal line of credit for use to financially operate the organization
    b. Funds to meet unfunded and unexpected needs of the organization, and
    c. Funds to make up a deficiency in budgeted revenue, either in results or collection experience
- Governance-Depletion of the Operating Reserve will be evidenced by a negative balance in the Undesignated Operating Funds. The procedure for approving use of the Operating Reserve Funds will be as follows:
    a. As projected in the budget, as approved by the House of Delegates
    b. By approval of the Board of Directors to fund unusual expenditures out of reserves, and
    c. By extraordinary expenses or loss of revenue and (or) investment losses. In this case, the following procedures will be followed
        - General Chair will inform the Finance Committee members, and
        - Finance Vice-Chair will inform the Board of Director at its next scheduled meeting
- If the Operating Reserve is and has been less than 75% of the targeted reserve level for two consecutive years, the Board of Directors, in the absence of any extraordinary circumstances, will adopt an operational budget that includes a projected surplus sufficient to rebuild the Operating Reserve Fund to its targeted reserve level over the following two years.
- Maintenance-The status of the Boarded-Designated Operating Reserve will be calculated at the end of each fiscal year, based upon audited financial results and reviewed by the Board of Directors. The adequacy of the Board-Designated Operating Reserve will be determined as followed:
    a. Example:

Total Unrestricted Net Assets $850,000
Less: Fixed Assets, net (20,000)
Available Unrestricted Assets
830,00
0 Less: Board-Designated Funds for Specific Purpose
0
Less: Board-Designated Operating Reserve (350,000)
Undesignated Operating Funds $480,000