

PATTERSON LIBRARY

CAPITAL RESERVE POLICY

I. PURPOSE The purpose of this Capital Reserve Policy for Patterson Library is to build and maintain an adequate level of unrestricted net assets set aside in a fund to support the Capital Budget, capital improvements, replacement studies and other long-term assets and liabilities and needs of Patterson Library as determined by the Library and its Trustees. The reserve may also be used for one-time, nonrecurring, unplanned expenses that are attributed to long term capacity, such as research and development or investment in infrastructure. Capital reserves are not intended to replace a permanent loss of funds, pay for maintenance and operating expenses, or eliminate an ongoing budget gap. This Capital Reserve Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

II. DEFINITIONS AND GOALS The Capital Reserve Fund is defined as the designated fund set aside by action of the Board of Trustees. The amount to be designated as Capital Reserve will be determined by the Board of Trustees annual approved budget with reasonable expectations to meet the planned and unplanned Capital Replacement program as determined by periodic replacement studies. The Capital Reserve Fund serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The Capital Reserve Fund is not expected to meet every long-term repair and replacement of the Library. In addition to calculating the actual Capital Reserve at the fiscal year-end, the anticipated Capital Reserve Fund contribution will be calculated each year along with the approval of the annual budget. These reserves will be reported to the Finance Committee and Board of Trustees, and included in the regular financial reports.

III. ACCOUNTING FOR RESERVES The Capital Reserve Fund will be recorded in the accounting and financial statements as Board Designated Capital Reserve Fund. The Capital Reserve Fund will be funded and available in cash or cash equivalents. Capital reserves will be maintained in a segregated bank account. Earnings from the Capital Reserve Fund shall remain in the fund.

IV. FUNDING OF RESERVES The Capital Reserve Fund may be funded with surplus unrestricted operating funds. The Board of Trustees may, from time to time, direct that a specific source of revenue be set aside for the Capital Reserve Fund. Examples may include one-time gifts or bequests, special grants, or special appeals.

The Library Director 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 Capital Reserve Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, asset replacement requirements and evaluation of the time period for which the funds will be utilized.

V. AUTHORITY TO USE CAPITAL RESERVES Authority for use of up \$10,000 from the Capital Reserve Fund is delegated to the Library Director in consultation with the Treasurer and/or Chair of the Finance

Committee. The use of Capital Reserves will be reported to the Board of Trustees at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds. The Library Director must receive prior approval from the Board of Trustees for use of funds from the Capital Reserve Fund in excess of \$10,000.

VI. REPORTING AND MONITORING The Library Director is responsible for ensuring that the Capital Reserve Fund is maintained and used only as described in this Policy. Upon approval of the use of Capital Reserve funds, the Library Director will maintain records of the use of funds. The Library Director will annually discuss what additional risk factors might be considered for the organization, the impact of budgeting on Capital Reserve levels, and any requirements with funders or chartering organizations.