

PATTERSON LIBRARY

OPERATING RESERVE POLICY

I. PURPOSE The purpose of this Operating Reserve Policy for Patterson Library is to build and maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The organization intends for the operating reserves to be used and replenished within a reasonable period of time. This Operating 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 Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Trustees. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain 20% of the current year's budgeted annual operating expenses. The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target minimum Operating Reserve Fund is equal to approximately 20% twenty percent of average recurring operating costs based on the current year's operating budget. In addition to calculating the actual operating reserve at the fiscal year-end, the operating reserve fund target minimum will be calculated each year after 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 Operating Reserve Fund will be recorded in the accounting and financial statements as Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained in a segregated bank account.

IV. FUNDING OF RESERVES The Operating Reserve Fund will 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 operating reserves. 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 Operating 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, and evaluation of the time period for which the funds will be required and replenished.

V. AUTHORITY TO USE OPERATING RESERVES Authority for use of up to \$10,000 of operating reserves is delegated to the Library Director in consultation with the Treasurer and/or Chair of the Finance Committee. The use of operating 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, and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The Library Director must receive prior approval from the Board of Trustees for use of operating reserves in excess of \$10,000.

VI. REPORTING AND MONITORING The Library Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval of the use of operating reserve funds, the Library Director will maintain records of the use of funds and plan for replenishment. She/he will provide regular monthly reports to the Finance Committee and/or Board of Trustees of progress to restore the fund to the target minimum amount.

The Library Director will annually discuss what additional risk factors might be considered for the organization, the impact of budgeting on operating reserve levels, and any requirements with funders or chartering organizations.