_____ Operating Reserve Policy

Adopted by the board on: _____ **Review every:** _____ years

1. Purpose

The operating reserve keeps the organization running through a shortfall in income, an unexpected cost, or a pause in a grant. It is not for routine spending.

2. Target

The target is _____ months of average operating expenses, about $_____ this year. The treasurer recalculates the target each year with the budget.

3. What counts

- Unrestricted cash and investments set aside by board vote.
- Not counted: restricted gifts, grant money for a project, endowment principal, or money owed to others.

4. Where it is held

Account(s): _____. Held separately from the operating account / tracked separately in the books.

5. Using the reserve

- The executive director or treasurer may propose a use, with the reason and the amount: _____
- Uses up to $_____ are approved by _____; above that, by a vote of the board.
- The minutes record the amount, the reason and the plan to rebuild.

6. Rebuilding

After a use, the reserve is rebuilt within _____ months by: _____

7. Reporting

Each treasurer's report shows the reserve balance against the target. The board reviews this policy at least every _____ years.

Adopted by: _____ **Attested by (clerk or secretary):** _____ **Date:** _____

State notes

- **Maine:** Report the reserve in the treasurer's report. Money given for a restricted purpose is not part of the operating reserve.
- **New Hampshire:** Charities report finances to the Charitable Trusts Unit each year. Money given for a restricted purpose is not part of the operating reserve.
- **Massachusetts:** Charities report finances on Form PC each year. Money given for a restricted purpose is not part of the operating reserve.

Sources

- RSA 7:28 (charitable trust registration and annual reports; GAAP statements at $500,000; audit at $2,000,000) — https://www.gc.nh.gov/rsa/html/I/7/7-28.htm
- M.G.L. c. 12, § 8F (public charity annual report; fees; audit and review thresholds) — https://www.mass.gov/info-details/mass-general-laws-c12-ss-8f

Practice template, not legal advice. Your articles, bylaws, policies and the statutes control — check with counsel or the state office before you rely on it.

Made with Prepared Board · https://preparedboard.com/seacoast/templates/operating-reserve-policy