

Leesville Lake Association, Inc.

OPERATING RESERVES POLICY – LLA Policy 002 – Operating Cash Reserves

The Board of Directors is responsible for the overall operation of the Association. Directors are fiduciaries of the Association and as fiduciaries are responsible for the Association finances; must act with care in fulfilling their responsibilities, and remain loyal to the Association and its members.

To help ensure that the above occurs, the Board of Directors hereby adopts the following policy on Operating Reserves:

I. PURPOSE

The purpose of the Operating Reserve Policy for Leesville Lake Association is to ensure the stability of the mission, programs and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for one-time unbudgeted expenses or unanticipated loss in funding. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Leesville Lake Association that when Operating Reserves are used that they will be replenished within a reasonably short period of time.

II. DEFINITION AND GOALS

The Operating Reserve is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to 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 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 **\$50,000.00**. The amount of the Operating Reserve target minimum will be calculated each year after approval of the annual budget and included in the regular financial reports.

III. ACCOUNTING FOR RESERVES

The Operating Reserve will be recorded in the financial records as Board-Designated Operating Reserve in the Equity section of the Balance Sheet. The Fund will be funded and available in cash or cash equivalent funds. The funds may be kept with regular operating funds or in a separate account. For clarity and the ability to quickly tell how much is in the fund, Leesville Lake Association will separate the new account from the General Fund and show it as Operating Reserves Fund and the amount.

IV. FUNDING OF RESERVES

The Operating Reserve will be funded with surplus unrestricted operating funds. The Board of Directors 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.

V. USE OF RESERVES

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserves funds:

The Board will identify the need for access to the 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 required and replenished.

2. Authority of use operating reserves:

The committee chair/person recognizing a shortage of funds will submit a request to use Operating Reserves to the Board of Directors or 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 funds used within twelve months to restore the Operating Reserve to the target minimum amount. The Board or Finance Committee will approve or modify the request and authorize transfer/use of the funds.

3. Reporting and Monitoring:

The Board is responsible for ensuring that the Operating Reserve is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve the Treasurer will maintain records of the use of funds and plan for replenishment. He/she, will provide regular reports to the Board of progress to restore the Fund to the target minimum amount.

VI. REVIEW OF POLICY

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.

Upon appropriate motion, second and vote as specified below, the Board of Directors of the Leesville Lake Association adopted this Operating Reserve Policy on **February 13, 2020.**

Motion by: **Leesville Lake Association Finance Committee**

Seconded by: **Tony Capuco**

Number of Votes in favor of: **13**

Number of Votes Against: **0**

LLA President: **J David Rives**



LLA Secretary: **Phyllis H. Garlick**

