

## **Operating Reserve Policy of the McLean County Bar Association**

### **PURPOSE**

The purpose of the Operating Reserve for the McLean County Bar 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 situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated expenses, unanticipated loss in funding, or uninsured losses.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the McLean County Bar Association for Operating Reserves to be used and replenished within a reasonably short period of time.

### **DEFINITIONS AND GOALS**

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Governors. The minimum amount to be 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 three months of average monthly operating costs based a review of the budgeted expenses for the McLean County Bar Association for the current year. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, and will be included in regular financial reports.

### **ACCOUNTING FOR RESERVES**

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Fund will be funded and available in case or cash equivalent funds. Operating Reserves will be maintained in a segregated bank account or investment fund, in accordance with investment policies.

### **FUNDING OF RESERVES**

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Governors may from time to time direct that a specific source of revenue be set aside for Operating Expenses.

## **USE OF RESERVES**

### **1. Identification of appropriate use of reserve funds.**

The Board of Governors will identify the need for access to to 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 other funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

### **2. Authority to use operating reserves**

The Board of Governors may authorize the use of operating reserves.

### **3. Reporting and Monitoring.**

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

## **REVIEW OF POLICY**

This Policy will be reviewed every year, at minimum, by the Board of Governors, or sooner if warranted by internal or external events or changes. Changes to the Policy will be determined by the Board of Governors.