

Minnesota Sinfonia Operating Reserve Policy

Purpose

The purpose of the Operating Reserve policy for the MN Sinfonia is to ensure the stability of the mission, programs, employment, 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 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 MN Sinfonia that the Operating Reserve, if used, will be 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 Directors. 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 operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The amount of the Operating Reserve fund target minimum will be calculated each year as a part of the annual budgeting process, reported to the Finance Committee/Board of Directors, and included in the 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, available, and will be maintained in a segregated bank account or investment fund.

Funding of Reserves

The Operating Reserve Fund will be funded each month with 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.

Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The MN Sinfonia Treasurer and Board Chair along with the General Manager 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 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 be required and replenished.

2. Authority to use operating reserves

The Treasurer or Board Chair will submit a request to use Operating Reserves to the Finance / Operations 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 Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Committees will approve or modify the request and authorize transfer from the fund.

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 ensure that records of the use of funds are maintained and plan for replenishment. He/she will provide regular reports to the Finance Committee/Board of Directors of progress to restore the fund to the target minimum amount.

Review of Policy

This Policy may be reviewed periodically if warranted by internal or external events or changes. Changes to the Policy require approval of the Board of Directors.

Approved: 2014