

Operating Reserve Policy

Effective 06/06/2023

Purpose:

The purpose of this policy is to establish guidelines for the management and utilization of the operating reserve fund maintained by Kelly Center for Hunger Relief ("Kelly Center"). The operating reserve fund is intended to provide financial stability and ensure the organization's ability to sustain its operations during unforeseen circumstances or financial challenges.

Definition of Operating Reserve

The operating reserve refers to the funds set aside by the Kelly Center to cover short-term operational needs and mitigate financial risks. It is distinct from other restricted funds or endowments and is maintained primarily for liquidity purposes.

Reserve Target

The organization shall maintain a minimum operating reserve fund equal to 25% percent of the annual operating budgeted expenses with a goal of building the fund to 50% of the operating budgeted expenses. The specific percentage should be determined by the board of directors on an annual basis, taking into account the organization's financial risk tolerance, annual budget fluctuations, and the nature of its programs and activities.

Use of Operating Reserve

- **Preservation of Financial Stability:** The primary objective of the operating reserve is to maintain the financial stability of the Kelly Center. It should be used in situations that may jeopardize the organization's ongoing operations, such as unexpected revenue shortfalls, unanticipated expenses, or disruptions in funding sources.
- **Board Approval:** Any withdrawal from the operating reserve must be approved by the finance committee. The finance committee shall assess the

nature and severity of the financial challenge before authorizing the use of reserve funds.

- **Repayment Plan:** When reserve funds are utilized, a plan for replenishing the operating reserve should be developed and implemented as soon as financially feasible. The repayment plan may include adjusting the annual budget, implementing cost-saving measures, pursuing additional fundraising efforts, or other appropriate actions.

Monitoring and Reporting:

- **Financial Oversight:** The organization's finance committee shall regularly monitor the operating reserve fund and ensure its adequacy. They should assess the organization's financial health, potential risks, and the effectiveness of the reserve policy.
- **Financial Reporting:** The organization's financial statements, including the status of the operating reserve, should be provided to the board of directors on a regular basis, typically as part of board meetings.
- **Review and Evaluation:** The operating reserve policy shall be periodically reviewed by the board of directors to assess its effectiveness and relevance. Any necessary updates or modifications should be made to align with the organization's changing needs and financial circumstances.

Confidentiality and Security:

Access to information regarding the operating reserve shall be limited to authorized individuals responsible for financial oversight. Confidentiality measures must be implemented to protect the integrity and security of reserve fund data.

This policy was approved by Kelly's Board of Directors on June 6, 2023.