

IPSSA

OPERATING RESERVES POLICY

PURPOSE

The purpose of the Operating Reserves policy for the Independent Pool and Spa Service Association Nonprofit (IPSSA) 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 loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as research and development, or investment in new membership program. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of IPSSA for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with other governance and financial policies of IPSSA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Regional Directors. 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 **one-years** average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as operational contracts, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses **pass-through programs, one-time or unusual purchases.**

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. Operating Reserves will be commingled with the general cash and investment accounts of the organization.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with a portion of the surplus of unrestricted operating funds. The Finance Committee will determine at the end of the year the amount to fund from the surplus of unrestricted operating funds. The BORD may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time special BORD approved projects.

USE OF RESERVES

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds

The CFO and Executive Director 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 CFO and Executive Director will submit a request to use Operating Reserves to the Finance Committee, with final approval by the BORD. 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.

3. Reporting and monitoring.

The Executive Director 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 Executive Director will maintain records of the use of funds 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.

RELATIONSHIP TO OTHER POLICIES

IPSSA shall maintain the following Board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund:

- **Fiscal Policy & Procedures**
- **Investment Policy**

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 Regional Directors.