

Presbytery of the Miami Valley Operating Reserve Policy A-15

I. PURPOSE

The purpose of the Operating Reserve Policy of the Presbytery of the Miami Valley (PMV) is to build and maintain an adequate level of net assets without donor restrictions to support PMV's day-to-day operations in the event of unforeseen shortfalls. Operating reserves are not intended to replace a permanent loss of revenue or eliminate an ongoing budget gap. PMV intends for the operating reserves to be used and replenished within a reasonable period of time. This Operating Reserve Policy will be implemented in conjunction with other PMV financial policies and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

II. DEFINITION AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the Presbytery Trustees ("Trustees"). The minimum amount to be designated as operating reserves will be established at an amount equal to 25% of the preceding fiscal year's expenses as defined by the Trustees.

The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes and the Trustees can set different minimum funding amounts based on ongoing operations and budgets.

III. ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the accounting system and financial statements as a Trustees Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained in a segregated account in accordance with the Investment Policy Statement (IPS).


IV. FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus funds that do not have donor restrictions. The Trustees, from time to time, may direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, property sales, special grants, or special appeals.

V. AUTHORITY TO USE OPERATING RESERVES

The Executive Presbyter and Treasurer 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. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves and evaluation of the time period for which the funds will be required and replenished.

Authority for the use of operating reserves is delegated to the EP in consultation with the Treasurer and President of the Trustees. The use of operating reserves will be reported to the



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Trustees at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds, and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The EP must receive prior approval from the Trustees if the operating reserves will take longer than three months to replenish.

VI. REPORTING AND MONITORING

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

VII. REVIEW OF POLICY

This Policy will be reviewed by the Trustees biennially, or more frequently if warranted by events or changes.

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