



BCLibraries
COOPERATIVE

BCLC OPERATING RESERVE FUND POLICY- Approved 05.03.20; updated 09.06.20

Purpose

The purpose of the Operating Reserve Fund for the BC Libraries Cooperative (BCLC) is to help ensure **the long-term ability** of the organization to meet its mission. BCLC will maintain the reserve to achieve the following **objectives**:

- To allow the Board of Directors to decide on the use of any surplus funds at the end of a fiscal year.
- To create an internal line of credit to manage cash flow and maintain financial flexibility.
- To enable the organization to sustain operations through delays or a loss in payments of funding or revenue.
- To apply to internal fund deficits.

Definitions and Goals

The Reserve Fund is defined as **funds set aside by action of the Board of Directors**. Its ongoing operation and oversight is delegated to the Finance and Governance Committee's.

Funding Reserves

The Reserve Fund will be funded **with surplus unrestricted operating funds or revenue**. The Board of Directors may from time to time direct that a specific source of revenue be set aside for its reserves. Examples may include one-time gifts or bequests, special grants, or special appeals, surplus revenue from services, grants or other operating funds. Organization staff will ensure that any funds designated for the Reserve Fund will not carry restrictions that conflict with the Board's oversight of the fund as outlined in the policy.

Investing Reserves

The Reserve Fund will be funded and available in **cash or cash equivalent funds**, in accordance with the risk preferences, liquidity needs and investment objectives of the organization.

The reserves will be **comingled with the general cash accounts** of the organization but segregated in financial reporting. The reserve funds can accrue interest.

Accounting for Reserves

The Reserve Fund will be **listed separately in the net assets section** of the organization's statement of financial position as "Board-Designated Reserve" and the status of borrowings from the reserve will be reported in financial reports to the board.

Using Reserves

A. Management identifies appropriate use

The Executive Director and staff will identify reasons for accessing the reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. As a part of this process, the Executive Director will do the following:

- Analyze the reason for the needed funds;
- Assess the availability of any other sources of funds before using reserves (e.g. line of credit); and
- Evaluate the time period that the funds will be required.

B. Board authorizes use and monitors reserves

The Executive Director may access the reserves for purposes as outlined above.

The Executive Director will **submit a request** to the Finance Committee in writing, which will include the analysis and determination of the use funds. The Finance Committee will approve in writing or modify the request and authorize transfer from the fund. Email is an acceptable form of notification and acknowledgment. The reserve fund can be funded as an expense included in the organization's annual budget.

Report and monitor use of funds

The Executive Director is responsible for ensuring that the Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Reserve, the Executive Director and finance staff will maintain records of the use of funds and any plan for replenishment.

Review of Policy

This policy will be **reviewed every year**, by the Governance and Finance Committees, 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 Directors.