

**Colorado Nonprofit Development Center ("CNDC")
Reserve Fund Policy* – Approved 5/27/20**

- I. Purpose:** The purpose of the Reserve Fund for Colorado Nonprofit Development Center ("CNDC") is to help ensure the long-term ability of the organization to meet its mission. CNDC will maintain the reserve to achieve the following objectives:
- To create an internal line of credit to manage cash flow and maintain financial flexibility
 - To enable the organization to sustain operations through delays in payments of committed funding
 - To pay for one-time, nonrecurring expenses that will build capacity, such as staff development or research and development
- The Reserve Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.
- II. Definitions and Goals:** The Reserve Fund is defined as funds set aside by the CEO or action of the Board of Directors. Its ongoing operation and oversight are delegated to the CEO.
- III. Target Minimum Amount** - The minimum amount to be designated for the Reserve will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target Reserve Fund is equal to 180 days of operating expenses with a minimum equal to 90 days. The Reserve Fund cannot be depleted below the 90-day limit without board approval.
- IV. Funding Reserves** - The amount of the Reserve Fund target as well as minimum will be calculated each year as part of the annual budgeting process. The Reserve Fund will be funded annually 1) with surplus unrestricted operating funds, 2) as an expense included in the organization's annual budget, or 3) by designation of a specific source of revenue. Examples may include one-time gifts or bequests, special grants, or special appeals.
- V. 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.
- VI. Shortfalls** - If the Reserve is and has been less than the minimum target reserve for two consecutive years, the Board of Directors will adopt an operational budget with a projected surplus sufficient to rebuild the Reserve Fund to its minimum targeted reserve level over a prescribed number of years.
- VII. Using Reserves** – The CEO, in coordination with the CFO 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 CEO 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)
- Evaluate the time period that the funds will be required, and then replenished

The CEO may access the reserves for purposes as outlined above. The CEO will submit a request to the Executive Committee in writing, which will include the analysis and determination of the use funds. The Executive Committee will approve in writing or modify the request. If approved, such usage will be reported to the to the Board of Directors no later than the next board meeting.

VIII. Report and Monitor Use of Funds - Regular reports will be provided to the Executive Committee on progress to restore the Fund.

****This applies to CNDC's administrative office, not to Projects.***