



Policy of The Community Church of Sebastopol

Title: Operating Reserves

Affected body: Leadership Council

Approved by: Leadership Council

To Be Reviewed: As necessary

Date Approved: 11/20/19

Date last Reviewed: 11/20/19

Date this version proposed: 11/20/19

Proposed by, representing:
Laura Pearsall,
Finance Committee
John Henel,
Treasurer

Purpose & Background:

The Purpose of the Operating Reserves Policy (with Operating Reserves defined as the balance in budget line item *8399.3 Undesignated Reserve*) is to ensure the stability of the mission, programs, employment, and ongoing operations of the church. Operating Reserves are intended to provide an internal source of funds for use in emergencies or for sustaining financial operations in the unanticipated event of significant unbudgeted increases in operating expenses or losses in operating revenues. The policy and procedures outlined here are intended to establish a procedural standard that will guide the Leadership Council through turnover as well as a means by which to track Operating Reserves allocation requests using a standardized request form, which will be kept on file as part of the church operating records.

Policy:

The goal of this policy is to maintain a balance equal to a minimum of 2 months of operating expenses in Operating Reserves. For purposes of this policy, annual operating expenses are equal to the *Total Expenses* line in the adopted annual budget. Thus 2 months is equal to 1/6 of that number. Note that there are many restricted accounts with funds earmarked for specific purposes; these are NOT to be included in the Operating Reserves calculation.

Operating Reserves should not drop below 2 months of operating expenses unless the mission, programs, employment, or ongoing operations of the church are at risk. These reserves should be liquid or easily converted to cash.

Tapping into Operating Reserves can only be authorized by a vote of the Leadership Council.



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Requests to use Operating Reserves can only be made by members of the Leadership Council (including all voting and non-voting members).

Other Considerations:

- When these reserves reach an amount exceeding 3 months of operating expenses, a discussion at a regular meeting of the Leadership Council shall take place to determine whether some action is warranted to make better use of these funds.
- Current Operating Reserves adequacy shall be reported as a note on monthly financial statements.

Procedural Steps:

1. Leadership Council members shall use the *Operating Reserves Allocation Request Form* to submit a request to the Leadership Council.
2. The request, with the completed form, shall be added to the Leadership Council agenda for consideration at a regular Leadership Council meeting.
3. The Leadership Council will review the request. Such a review should include considerations such as availability of other sources of funds, overall impacts to Operating Reserves, and how (or if) depleted funds will be replenished. The Leadership Council will approve, modify, or reject the request by completing the Council Decision Notes section of the *Operating Reserves Allocation Request Form*.
4. If a request is approved, the Bookkeeper shall be notified, either through staff or the Treasurer, regarding the purpose and amounts to be made available.
5. As with other urgent business of the Leadership Council, the processing of a request for these funds may be conducted following the Email Voting Policy in place for the Council and shall include the use of the *Operating Reserves Allocation Request Form*.