

Subject: Operating Reserve Policy

Purpose: To build and maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls.

The purpose of this Operating Reserve Policy is to build and maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserves may also be used for one-time, nonrecurring items.

Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The organization 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 the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

The operating reserves will be maintained in the Operating Reserve Fund and the Deferred Reserve Fund.

Any examples listed below are not meant to be all inclusive.

Operational Reserve Fund

The Operating Reserve Fund is an unrestricted fund that is monitored by the Chief Executive Officer (CEO) & Chief Financial Officer (CFO). The Operating Reserve Fund is not a Board of Directors designated fund.

The Operational Reserve Fund is intended to be used for more significant day-to-day needs of Woodhaven such as paying health insurance claims for our self-insured health insurance plan, paying business insurance deductibles & subsidizing any uncollectible revenue.

For purposes of this procedure, deductibles for automobile accidents are not considered business insurance deductibles.

The CFO will recommend a strategy for the CEO's approval for how the Operational Reserve Fund will be funded. The CEO and CFO should review the strategy annually to make sure the strategy is still appropriate.

The CEO and CFO do not need the Board's approval to spend the Operational Reserve Fund's money.

Deferred Reserve Fund

The Deferred Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. The Deferred Reserve Fund will be recorded in the accounting and financial statements as Board Designated Operating Reserve.

The Deferred Reserve Fund is intended to be used for significant long-term needs of Woodhaven.

The CEO and CFO need the Board's approval to spend the Deferred Reserve Fund's money.

From time to time, the Board may direct the CEO to transfer surplus revenues over expenses to the Deferred Reserve Fund or direct that a specific source of revenue be set aside for the Deferred Reserve Fund. Examples may include one-time gifts or bequests, special grants, or special appeals.

Approved: _____ Date: _____
Chief Executive Officer