



## Reserve Policy Statement

### I. STATEMENT OF PURPOSE

The purpose of the Operating Reserve Policy for The Washington Poison Center is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure.

Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of The Washington Poison Center for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of The Washington Poison Center and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

### II. DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months.

The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target minimum Operating Reserve Fund is equal to **12** months of critical operating costs. The calculation of critical monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, licensing, and taxes, as well as critically necessary office, travel, program, and professional services expenses. **See attachment A for a list of critical expenses for FY'19-20 (subject to change year to year).** Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses excludes expenses not considered critically necessary to The Washington Poison Center's program.

During the funding phase of the operating reserve (period of time to grow the reserve to the established 12 month minimum), the amount to be set aside each year will be calculated each year after approval of the annual budget and based on 80% of the annual budgeted net surplus, (net income) as reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

### **III. ACCOUNTING FOR RESERVES**

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in a separate money market account, specifically designated as “Operating Reserves” account.

### **IV. FUNDING OF RESERVES**

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

### **V. USE OF RESERVES**

Use of the Operating Reserves requires three steps:

#### **1. Identification of appropriate use of reserve funds.**

- a. The Executive/Medical Director and staff 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. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

#### **2. Authority to use operating reserves.**

- a. Authority for use of Operating Reserves is delegated to the Executive/Medical Director in consultation with the Treasurer and/ or Chair of the Finance Committee. The use of Operating Reserves will be reported to the Executive Committee/ Board of Directors 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 Executive/Medical Director must receive prior approval from the

Executive Committee/Board of Directors if the Operating Reserves will take longer than 12 months to replenish.

**3. Reporting and monitoring.**

- a. The Executive/Medical Director is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Executive/Medical Director will ensure proper records are maintained regarding the use of funds and plan for replenishment. He/she will ensure regular reports are provided to the Finance Committee/ Board of Directors of progress to restore the Fund to the target minimum amount.

**VI. RELATIONSHIP TO OTHER POLICIES**

**Washington Poison Center** shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

- **Financial Policy - 2017**
- **Investment and Spending Policy - 2017**
- **Annual Center Operations Policy - 2017**

**VII. REVIEW OF POLICY**

This Policy will be reviewed every other year, at minimum, by the Finance Committee, 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.

Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

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Ryan Keay, MD Board President

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Erika Allen, CPA, Board Treasurer

Due for review and affirmation in \_\_\_\_\_.