QUAMED Operating Reserve Policy

Objective
The objective of the Operating Reserve Policy is to describe what assets QUAMED is allowed to maintain or should maintain.

The principle underlying this policy is that QUAMED will strive to hold a reasonable capital necessary to guarantee the continuity of the activities.

The assets are called the Operating Reserve. These are unrestricted funds set aside from normal operating funds. It’s the organization’s savings account. Developing healthy reserves is a key financial milestone to building a sound, sustainable organization.

QUAMED may also hold assets in the following cases:

- Assets are received as a legacy (via an inheritance) or gift and as a condition the deceased or donor has stipulated that the donated or bequeathed capital must be maintained, or that it has been stipulated that only the return from that capital will be used to pursue the objective of QUAMED. Often, the donor or deceased stipulates in a will that the assets should maintain their value due to inflation through an annual adjustment. QUAMED must take this into account when spending the available returns.
• Assets that are necessary as a means to realise the objective of QUAMED such as an office or training facility.
• Assets 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 the unanticipated loss in turnover from lack of activities or projects or in the event of uninsured losses. The Reserve may also be used exceptionally 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 QUAMED 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 board approved governance and financial policies and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

**Definition**

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. It may also be used in the event of a decision to end the operations of QUAMED, to ensure that our obligations to members, partners and staff are met. 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 twelve months of normal average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, office expenses, travel, program, and ongoing professional services. The calculation of average monthly expenses also excludes some expenses such as: capital costs such as purchase of equipment, etc.

The Euro amount of the Operating Reserves target minimum will be calculated each year after approval of the annual budget, and included in the regular financial reports.

**ACCOUNTING FOR RESERVES**

The Operating Reserves 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 blended with the general cash and investment accounts of the organization.

**FUNDING OF RESERVES**

The Operating Reserve Fund will be funded with surplus unrestricted operating funds.

**USE OF RESERVES**
Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.
The Executive Director 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
The Executive Director will submit a request to use Operating Reserves to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully.

3. Reporting and monitoring.
The Executive 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 Treasurer will maintain records of the use of funds and plan for replenishment. He/she will provide regular reports to the Board of Directors of progress to restore the Fund to the target minimum amount.

**REVIEW OF POLICY**
This Policy will be reviewed every 3 years.
Agreement completed.

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