

## UNITED STATES ADULT SOCCER ASSOCIATION

### OPERATING RESERVE POLICY

#### 1. PURPOSE

The purpose of this Operating Reserve Policy for the United State Adult Soccer Association (USASA) 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 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. 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 other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and strategic and operational plans.

#### 2. DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the 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 6 (six) months of average recurring operating costs. To be clear these are indirect operating funds not direct operating funds.

This is calculated by finding the monthly average from the total annual operating costs of the current year budget and multiplying that average amount by the number of months' operating cost previously stated for the minimum amount of the reserve.

In addition to calculating the actually operating reserve fund at the fiscal year end, the operating reserve fund target minimum will be calculated each year after approval of the annual budget. These reserves will be reported to the Board of Directors and included in the regular financial reports.

#### 3. ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the accounting system and financial statements as Board Designated Operating Reserve. The Operating Reserve Fund will be funded and available in cash or cash equivalents. Operating reserves will be maintained in a segregate bank account or investment fund, in accordance with investment policies.

#### 4. 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 on-time gifts or bequests, special grants or special appeals.

#### 5. AUTHORITY TO USE OPERATING RESERVES

The use of operating reserves will be presented by the Executive Director in consultation with the Treasurer to the Board for their authorized use of the Operating Reserves. The required use of operating reserves will be reported to the Board of Directors at their next scheduled meeting, accompanied by the 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.

#### 6. 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 of the use of operating reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. The Executive Director will provide regular reports to the Board of Directors of progress to restore the fund to the target minimum amount.

#### 7. RELATIONSHIP TO OTHER POLICIES

The Executive Director shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency and management of the Operating Reserve Fund.

- Investment Policy, including risk tolerance
- Risk Management related policies and tools to diminish risk, including Contingency or Disaster Preparedness Plan
- Policies related to Operating and Capital Budgeting
- Fund Development Policies

#### 8. REVIEW OF POLICY

This Policy will be reviewed every year at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be presented to the Board of Directors. This Policy upon every revision must be distributed by the Treasurer to the Board of Directors and the Executive Director.