NAME OF CHARITY

Policy on the Administrative Reserve

The NAME OF CHARITY Board has designated a portion of its Net Assets Without Donor Restriction as an Administrative Reserve to provide a source of cash to enable the organization to sustain operations in the event of significant increases in operating expenses and / or losses in operating revenue. The Administrative Reserve shall work in tandem with NAME OF CHARITY’S Line of Credit, which also serves as a source of cash during operational shortfalls.

This policy was developed to establish the approval process to draw upon the Administrative Reserve, to determine the investment of the Administrative Reserve, and to establish a reporting and review process to keep the Board of Directors informed regarding the Administrative Reserve.

Approval Process for draws on the Administrative Reserve:

1. A minimum of XXX months of the current operating budget shall be maintained in the Administrative Reserve
2. The maximum draw in any calendar year shall be 25% of the Administrative Reserve balance.
3. The Finance & Audit Committee shall review all proposed draws on the Administrative Reserve and shall provide a recommendation regarding the proposed draw to the Board of Directors.
4. All draws on the Administrative Reserve must be approved by a majority vote of the full Board of Directors.

Investment of the Administrative Reserve:

1. The target investment allocation shall be 60% Equity 40% Fixed.
2. The target allocation shall be achieved by utilizing a variety of vehicles including investment accounts, money market accounts, or any other vehicle approved by the Finance & Audit Committee.
3. All earnings from the Administrative Reserve shall be reinvested into the Administrative Reserve.

Reporting and Review Process:

1. The Board shall receive a statement of the activity at each regular Board meeting regarding the activity and balance of the Administrative Reserve.
2. The Finance & Audit Committee shall perform an annual review of the Administrative Reserve to ensure compliance with this policy and shall submit a report to the Board regarding its findings and any recommendations which the Committee deems appropriate.

*Date of Adoption:*