

# Reserve policy



DECISION DATE: 05/03/2023

DECISION BY: Concrete Jungle Foundation's Board

APPLICABLE FROM: 05/03/2023

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## **1. Purpose**

1.1. The purpose of the Reserves Policy for Concrete Jungle Foundation is to ensure the stability of the mission, programmes, employment, and ongoing operations of the organization and to provide a source of internal funds for organizational priorities such as local staff payment, programme opportunity, and capacity building.

1.2. The Reserves Policy will be implemented in concert with the other governance and financial policies of Financial Management and Risk Policy and is intended to support the goals and strategies contained in Concrete Jungle Foundation's mission and vision statement.

## **2. Definitions and Goals Operating Reserve**

2.1. 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.

2.2. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of Concrete Jungle Foundation for Operating Reserves to be used and replenished within a reasonably short period of time.

2.3. The Operating Reserve Fund is defined as a designated fund set aside by action of the Board and Directors. The minimum amount to be designated as an Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measured for a set period of time, measured in months. For the year 2023, it is measured to 18,000 EUR.

2.4. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes. The target minimum Operating Reserve Fund is equal to two months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as local salaries, programmes expenditures, and ongoing professional services.

2.5. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Board and Directors, and included in the regular financial reports.

## **3. Accounting for Reserves**

3.1. The Reserve Funds will be recorded in the financial records as CJF Reserve. The Funds will be funded and available in cash or cash equivalent funds. Reserves will be maintained in a segregated bank account

#### **4. Funding of Reserves**

4.1. The Operating Reserve will be funded with surplus unrestricted operating funds and through specific trustful donors in accordance with a MOU signed by the donor.

4.2. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples could include one time gifts or bequests, special grants, or special appeals.

4.3. The Executive 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 needed and replenished.

#### **5. Authority to use reserves.**

5.1. The Executive Director will submit a request to use Reserves to the Board. 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 Reserve Fund to the target minimum amount. If the use of Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The Board will approve (by majority decision) or modify the request and authorize transfer from the fund.

#### **6. Reporting and monitoring.**

6.1. The Executive Director is responsible for ensuring that the Reserve Funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve Funds, the Executive Director will maintain records of the use of funds and plan for replenishment, if required. He will provide regular reports to the Board of progress to restore the Fund to the target minimum amount, if required.

6.2. Relationship to Financial Management and Risk Policy shall maintain the following board approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Fund.

6.3. This Policy will be reviewed every other year, at minimum, by the Board, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Board.