



## **Operating Reserves: Act Now - Before the Rain Comes**

Rainy days — they're inevitable. A major funding source dries up...an Executive Director quits...or, heaven forbid, a fire or other disaster strikes.

In these challenging times, it is important for all nonprofit organizations, large and small, to build an operating reserve — a nest egg that serves as an organizational “savings account.” A properly structured operating reserve can also serve other vital uses, such as expanding credit opportunities, including permitting a change in direction or focus of programs.

### **“How Big Should Our Nest Be?”**

Of course, how much your organization can commit to reserves depends on a variety of factors, including the reliability and diversity of your revenue streams, the nature of your liabilities and the stability of your expenses.

While establishing a reserve can be as simple as opening a separate reserve account, your board should draft a policy governing the reserve, specifying:

- The desirable size of the reserve
- The purposes for which the reserve is intended
- The rules and restrictions imposed by the board upon the use of the reserve, including guidelines for replenishment
- Investment policies (type of investments, who manages the funds, etc.)

## **“How Do We Get the Pennies in the Bank?”**

Consider these time-tested strategies:

- Budget a surplus each year to go into your operating reserve.
- Put unexpected gifts and windfalls into the reserve.
- Conduct an annual appeal to your membership. Most donors will perceive the establishment of a reserve to be a sign of good planning and long-range thinking on the part of your organization.

*The time to act is now — before the rain falls. Our nonprofit team can help you set up policies and procedures now for your rainy day fund. Just call for an appointment.*