



Association of Metropolitan School Districts

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Operating Reserve Fund Policy

The purpose of this document is to establish the Association of Metropolitan School District's (AMSD's) Operating Reserve Fund Policy. The general purpose of the operating reserve fund is to help ensure the long-term financial stability of the organization and position it to respond to varying economic conditions and changes effecting the organization's financial position and the ability of the organization to carry out its mission without interruption. AMSD will maintain an operating reserve fund to achieve the following objectives:

- To enable the organization to sustain operations through delays in payments of committed funding and to accept reimbursable contracts and grants without jeopardizing ongoing operations;
- To promote confidence in the long-term sustainability of the organization by preventing cash flow crises that can diminish its reputation and force its leaders to make expensive short-term decision;
- To establish an internal line of credit to manage cash flow and maintain financial flexibility;
- To avoid sharp increases in membership dues.

The target amount of the operating reserve fund is a minimum of 50% of annual operating expenses or about six months of expenses on average.

The Executive Committee may authorize access to the fund if necessary to:

- Meet an emergency need;
- Meet unfunded and unexpected organization needs;
- Make up for an unexpected loss of anticipated revenue.

If approved by the Executive Committee, such disbursements shall be reported at the next full Board of Directors meeting and the Executive Committee shall develop a plan to restore the fund to the target amount.

The status of the operating reserve fund will be calculated at the end of each fiscal year based upon audited financial results and reviewed by the Executive Committee.

Effective date: August 10, 2018

Approved by AMSD Executive Committee, June 8, 2018