

## United Way of Lamoille County RESERVES POLICY (formerly Rainy Day Fund)

### BACKGROUND/OBJECTIVES

Unrestricted reserves reflect the financial health of an organization.

### REASONS TO ESTABLISH A RESERVE POLICY

A positive, unrestricted reserve balance would allow some flexibility with regard to agency funding levels and might give community partners time to adjust to any future funding decreases. Barring any unforeseen problem, the United Way of Lamoille County would then be in a position not only to meet its obligations, but to offset the negative impact of any of the following scenarios that may arise in the future:

- a. **Community Disaster.** Responding to an unanticipated disaster, such as a major fire, flood, or other natural occurrence happening to the Lamoille County community at large or to one of its community partners.
- b. **Sudden Shutdown of a Major Employer.** This could result in a large portion of receivables becoming uncollectible.
- c. **Community Initiatives.** A sufficient reserve balance would also afford the United Way flexibility to respond effectively and quickly to urgent community initiatives, new concepts or revised long-term strategies.
- d. **Office Closure or Emergency.** Our auditor's recommendation is to maintain a three- to four-month balance in a reserve account. This is based on the assumption that this is the minimum amount of time required for the UWLC to establish and implement an action plan if office closure is imminent or our community should experience an emergency.

### INVESTING RESERVES

The Executive Committee is responsible for investing excess UWLC Reserve funds. Funds will be invested in AAA Money Market funds or FDIC-insured investments.

### REPORTING

The activity of the Reserve Account shall be shown on the monthly financial reports.

### ANNUAL REVIEW

This policy will be reviewed and approved annually by the Board.