

USMS Reserve Funds Policy

Purpose

The purpose of the Reserve Funds Policy for United States Masters Swimming, Inc. (“USMS”) is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Reserve Funds are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time expenditures, unanticipated losses in funding, or uninsured losses. The Reserve Funds may also be used for strategic opportunities such as one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure.

Reserve Funds are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Reserve Funds Policy will be implemented in concert with the other governance and financial policies of USMS and is intended to support the goals and strategies contained in these related policies and in the overall strategic and operational plans of the organization.

Policy Statement

The Reserve Funds are a designated portion of Net Assets (Equity) set aside by action of the Board of Directors and the House of Delegates. There are two specific funds:

- Operating Reserve – this is a flexible dollar amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve level will be reviewed and adjusted in response to changes in ongoing operations. The target minimum Operating Reserve balance will be at a level to maintain an Operating Reserve Ratio of six months of average operating costs.
- Opportunity Reserve – this is to provide funds to meet special targets of opportunity or need that further the mission of the organization and may or may not have specific expectation of incremental or long-term increased income. The Opportunity Reserve is also intended as a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity.

Definitions

Available Unrestricted Net Assets - is unrestricted net assets less the equity in fixed assets, i.e., fixed assets net of related long-term debt. These assets include any specific allocations like the insurance reserve currently designated to cover deductibles and co-pays under existing USMS practices.

Operating Reserve Ratio – is the Available Unrestricted Net Assets divided by the average monthly expense budget.

Establishment and Monitoring of Reserve Fund levels

The amount of the Operating Reserve target minimum will be calculated each year by the CFO based on the prior year's financial results. This will be reported to the Finance Committee and Board of Directors, and shown in the Net Assets section of the periodic financial reports issued by the CFO.

The level of Available Unrestricted Net Assets will be monitored quarterly to assure that at the lowest level during the year it exceeds the target minimum of six months. If the quarterly balance of Available Unrestricted Net Assets falls below this target level a further computation will be made using the most current forecast to project the future trends and determine if other steps should be taken to correct the trend. If two of the quarterly tests fall below the target level in a year then this should be factored into the subsequent annual calculation process to create a surplus budget to return to compliance with this policy in the subsequent year.

The amount of the Opportunity Reserve will initially be established at \$600,000. This amount will be reviewed and adjusted if necessary, by the Board of Directors, during the annual budget process.

Use of the Opportunity Reserves

Authority for use of the Opportunity Reserve funds will be handled in the following manner. The requesting party, normally expected to be the Chief Executive Officer (CEO), will submit a request to the Finance Committee, who after review and recommendation of any modifications, will forward to the Board of Directors for approval. The Finance Committee will also forward to Board of Directors any request that they deny. The request will include:

- The amount needed from the Opportunity Reserve;
- How the project or initiative furthers the mission of USMS;
- Short and long term goals to be achieved;
- Specific objectives, including key measurements, if applicable;
- Budget of expenditures, including staff and volunteer resources needed;
- Availability of any other sources of funds that could or will be used;
- Whether the funds will be replenished due to the outcome, and if so the timeline; and
- Confirmation that use of these funds is consistent with the purpose described in this Policy.

Relationship to Other USMS Policies

USMS maintains other board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Funds. These include, but are not limited to, the following:

- USMS Policy Manual
- USMS Financial Policy
- USMS Investment Policy
- USMS Spending Policy