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|  | The purpose of this policy is to support the long term financial sustainability of the church. The intent is to support the goals and strategies of our church while having a financial health that attempts to protect against unexpected expenses, declines in giving, building maintenance and repair costs, periods of transition and cash flow risks.  |
|  | Separate reserves have been set up to meet specific needs.  |
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|  | 1. **Operating Reserve (027-98-00-18):**
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|  | 1. Purpose:The Operating Reserve is a restricted fund intended to cover times when the operating expense exceeds income. This can be the result of lower than planned giving, unfavorable cash flow situation, or expenses have been unmanaged. The use of this reserve is to cover salaries, taxes, insurance, utilities, and any line of credit or mortgage payments. This reserve is intended to solve temporary problems and not structural financial problems. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap.
2. Approval:Use of reserves should be recommended and approved by the Executive Council and the Finance Committee together in accordance with section D of this policy.
3. Replenishment of Funds:Upon approval to use the reserve funds, an agreed replenishment plan should be established. It is the intention of this reserve to be used and replenished within a reasonably short period to time (no longer than 24 months). In addition, the Finance Committee should be removing all unnecessary expenses from the current year budget (and future budgets) to reflect the current situation and on-going replenishment plan for this reserve.
4. Reserve Goal Amount:
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|  | As a general rule, non-profit reserves recommendations range anywhere from a low end of one full payroll, including taxes, to a high end of no more than one year expense budget. Research suggests that 3-12 months of operating expenses is most acceptable. Given the purpose of this fund and the current anticipated financial situation for our church (small number of "big givers" being above 75 years old), 3 months of operating expenses should be a high priority with 6 months being a longer term goal. The calculation of the average monthly expenses can exclude some expenses such as pass-through programs, one-time or unusual expenses, and capital purchases. The amount of the Operating Reserve Fund target minimum will be calculated each year by the Finance Committee after approval of the annual budget. The Finance Committee will report this to the Executive Council. |
|  | In potential years, where the church budget is declining, the fund may be over the 6 month goal amount. In that case, any overage above the 6 months calculation can be used for Operating or Capital expenses or moved to another reserve. This overage use will be recommended by the Finance Committee with approval from the Executive Council.Given the 2019 Budget, this would result in a level of $125,000 - $250,000 for the Operating Reserve. Current Balance in this fund (Sept 2019) is $25,502.66Reporting and Monitoring:The Finance Committee, with oversight from the Executive Council, is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of the Operating Reserve funds, the Finance Committee will maintain records of the use of the funds and the plan (including timing) for replenishment.The Operating Reserve will be recorded in the financial records separately from all other funds. This reserve will be invested in accordance with church investment policies. |
|  | 1. **Insurance Reserve (027-98-00-26):**
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|  | 1. Purpose:The Insurance Reserve is a restricted fund intended to unforeseen Medical and Dental changes for the ministry staff. This fund is for qualifying plan changes only. A current staff member could have a qualifying event during the year. Examples of qualifying events during a plan year could be a current staff covered under insurance moves from single to family coverage, or was covered under a spouse and that spouse retires or looses their job and now needs family coverage from the church. This is not intended to cover new staff members as new staff members should be budgeted appropriately. The intent of the reserve to be a cushion for unplanned qualifying event plan changes for those existing staff that qualify for insurance coverage per the ELCA guidelines.
2. Approval:Use of reserves should be recommended and approved by the Executive Council and the Finance Committee together in accordance with section D of this policy.
3. Replenishment of Funds:Upon approval to use the reserve funds, an agreed replenishment plan should be established. It is the intention of this reserve to be used and replenished within a reasonably short period to time (no longer than 24 months). The next year budget should reflect the changes accordingly and the on-going replenishment plan for this fund.
4. Reserve Goal Amount:
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|  | The calculation of the minimum Insurance Reserve should be one half (1/2) of the difference between the current paid insurance dollars for the staff covered and the same staff coverage at family level. The amount of the Insurance Reserve Fund target minimum will be calculated each year by the Finance Committee after approval of the annual budget. The Finance Committee will report this to the Executive Council.In potential years, where this minimum is less than the current reserve level, any overage can used for Operating or Capital expenses or moved to another reserve. This overage use will be recommended by the Finance Committee with approval from the Executive Council.Given the 2019 Budget, this would result in a level of $10,000 - $10,000 for the Insurance Reserve. Current Balance in this fund (Sept 2019) is $12,000.Reporting and Monitoring:The Finance Committee, with oversight from the Executive Council, is responsible for ensuring that the Insurance Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of the Insurance Reserve funds, the Finance Committee will maintain records of the use of the funds and the plan (including timing) for replenishment.The Insurance Reserve will be recorded in the financial records separately from all other funds. This reserve will be invested in accordance with church investment policies. |
| 1. **Facilities Reserve (027-98-00-22):**
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| 1. Purpose:The Facilities Reserve is a restricted fund intended to prepare the church for planned, large building and grounds needs to insure the needed up-keep of our facilities on an on-going basis. This can included funds generated from Capital Campaigns/Appeals or other means. This is not intended to cover unexpected or emergency breakdowns of existing facilities.
2. Approval:Use of reserves should be recommended and approved by the Executive Council and the Finance Committee together in accordance with section D of this policy.
3. Building of needed Funds:This fund works differently than other mentioned funds in this policy. In this case, it is not a replenishment of a fund but instead a building of the needed fund to meet the planned capital goals. A five year capital spending plan should be established and approved by Council with planned detailed spending each year. If the funding is to be established through a capital campaign/appeal, with commitments that have reached the level needed for the full five year capital spending plan, then the building of the needed reserve fund will follow those commitments. If however, there is not a capital campaign/appeal, with necessary commitments required to meet the goal, then a plan to build the needed funds must be established and followed. For example, a three plan requiring $300,000 would need a minimum of $100,000 additional reserve balance each year of that plan.
4. Reserve Goal Amount:
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| The calculation of the minimum Insurance Reserve should be one half (1/2) of the difference between the current paid insurance dollars for the staff covered and the same staff coverage at family level. The amount of the Insurance Reserve Fund target minimum will be calculated each year by the Finance Committee after approval of the annual budget. The Finance Committee will report this to the Executive Council.In potential years, where this minimum is less than the current reserve level, any overage can used for Operating or Capital expenses or moved to another reserve. This overage use will be recommended by the Finance Committee with approval from the Executive Council.Given the 2019 Budget, this would result in a level of $10,000 - $10,000 for the Insurance Reserve. Current Balance in this fund (Sept 2019) is $48,166.53 ($148,166.53-$100,000 from the sale of easement land. The use of the Easement monies needs to be determined under a separate policy). Reporting and Monitoring:The Finance Committee, with oversight from the Executive Council, is responsible for ensuring that the Insurance Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of the Insurance Reserve funds, the Finance Committee will maintain records of the use of the funds and the plan (including timing) for replenishment.The Insurance Reserve will be recorded in the financial records separately from all other funds. This reserve will be invested in accordance with church investment policies. |