

Iowa Cancer Consortium Operating Reserve Policy

Effective Date: December 13, 2019



Purpose

The purpose of this Operating Reserve Policy for the Iowa Cancer Consortium is to ensure the stability of the mission, programs, staffing, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, onetime unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the Iowa Cancer Consortium for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Policy will be implemented in concert with the other governance and financial policies of the Iowa Cancer Consortium and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

Definitions and Goals

The Operating Reserve Fund is defined as a designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The target minimum Operating Reserve Fund is equal to six months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as staffing, occupancy, office, travel, program, ongoing professional services and Iowa Cancer Plan Implementation Grant expenses. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes costs to produce Spring Meetings, the Iowa Cancer Summit and other conference costs. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in the regular financial reports.

Accounting for Reserves

The Operating Reserve Fund will be recorded in the financial records as Board-Designated Operating Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in a segregated bank account or investment fund.



Funding of Reserves

The Iowa Cancer Consortium will maintain approximately 90 days cash on hand in its primary bank account. The Operating Reserve Fund will be funded with surplus unrestricted operating funds beyond this 90-days cash on hand. The amount considered 90-days cash on hand will be calculated each year after approval of the annual budget, reported to the Finance Committee and Board of Directors, and included in the regular financial reports.

The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals. Use of Reserves Use of the Operating Reserves requires three steps:

- 1. Identification of appropriate use of reserve funds.**

The Executive Director and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

- 2. Authority to use operating reserves.**

Authority for use of Operating Reserves is delegated to the Executive Director in consultation with the Treasurer and President of the Board of Directors. The use of Operating Reserves will be reported to the Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve Fund to the target minimum amount. The Executive Director must receive prior approval from the Board of Directors if the Operating Reserves will take longer than 12 months to replenish.

- 3. Reporting and monitoring.**

The Executive Director 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 Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. The Executive Director will provide regular reports to the Finance Committee/ Board of Directors of progress to restore the Fund to the target minimum amount.

Relationship to Other Policies

The Iowa Cancer Consortium shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund:



- Line of Credit Policy
- Credit Card Policy
- Financial Controls Protocol

Review of Policy

This Policy will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.