**Operating Reserve Policy**

Date Established: February 2020

Amended:

*Purpose.*

The purpose of the Operating Reserve Policy for Hoof Trimmers Association, Inc. (HTA) is to ensure the stability of the mission, programs and ongoing operations of the organization. The Operating Reserve is intended to provide and internal source of funds for situations such as a sudden increase in expenses, one-time 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 research and development. It is the intention of HTA for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserves will be implemented in concert with the other governance and financial policies of HTA 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 is established as equal to 100% of the cost of conducting the sesquiennial conference and 50% (six months) of annual business conduct expenses. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. Usage of the funds must comply with this policy. Changes to this policy must be presented to the full Board of Directors as a formal proposal and approved by a 2/3 majority vote of the Board of Directors.

The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Treasurer and Board of Directors, and included in the regular financial reports.

Operating Reserves will be maintained in an investment fund in accordance with the Investment Policy.

*Funding.*

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue, such as one-time gifts, bequests, special grants or special appeals, be set aside for Operating Reserves.

*Use of Reserves.*

The 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. The request to the Board requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, an evaluation of the time period that the funds will be required, and a tangible plan for replenishing the funds withdrawn.

1. Authority to use operating reserves.

The Executive Director will submit a request to use Operating Reserves to the Treasurer of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization’s goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount.

If the use of Operating Reserves will take longer than 12 months to replenish, the request will be reviewed by the Finance Committee to approve or modify the request and recommend the request to the Board of Directors for final approval.

1. 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. He/she will provide regular reports to the Treasurer and Board of Directors of progress to restore the Operating Reserve to the target minimum amount.

*Relationship to other Policies.*

HTA shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Operating Reserve Fund.

* Budget Policy
* Investment Policy

*Review of Policy.*

This policy will be reviewed as needed by the Treasurer, Finance Committee, or Board of Directors. Changes to the Policy will be recommended by the Treasurer or Financial Committee to the Board of Directors.