



AMC Potomac Chapter

Chapter Operating Reserve

July, 2015

The Potomac Chapter of the AMC has established an Operating Reserve is to ensure the long-term stability of the programs and ongoing operations of the Chapter. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, an unanticipated loss in funding, or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses consistent with the mission of the Chapter. The Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is also the intention of Potomac Chapter that the Operating Reserves be used and replenished within a reasonable period of time.

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as a designated fund set aside by action of the Executive Committee. The minimum amount to be designated as an Operating Reserve is an amount sufficient to maintain ongoing operations and programs for a one-year period of time. This amount will be based upon the average of the prior 3-year's operating expenses. The initial balance in the Operating Reserve will be established at \$10,000. The Operating Reserve serves a dynamic role and will be reviewed on at least a bi-annual basis during the annual budget process to determine if the policy needs to be adjusted in response to internal and external changes.

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as a Board-Designated Operating Reserve. The Operating Reserve Fund will be maintained in a commingled investment account managed by the Appalachian Mountain Club's Investment Committee, and the funds shall be invested in accordance with the investment policy of similar funds held and invested by the Club for endowment and invested reserve purposes.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Executive Committee 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 Chapter Chair will identify the need to access Reserve Funds and he/she will confirm that use is consistent with the purpose of the reserves as described in this Policy. This step requires an analysis of the reason for use, the availability of other sources of funds before using reserves, and an evaluation of the time period that the funds will be required and Operating Reserve then replenished.
2. Authority to use operating reserves: The Chapter Chair will submit a written request to use Operating Reserves to the Executive Committee. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish any 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 scrutinized more carefully. Approval to utilize the Reserve Funds will require a 2/3 affirmative vote of the voting members of the Executive Committee.
3. Disbursement of funds: Any disbursement of funds will first require a transfer from the Club's investment account to the Chapter operating account, then a separate disbursement from the operating account. The transfer from the Club's investment account will require a written request, signed by both the Chapter Chair and the Chapter Treasurer. Any subsequent disbursement from the Chapter operating account for this purpose will also require the signature of both parties.

REPORTING

The Chapter Chair is responsible for ensuring that the Operating Reserve Fund is maintained and used solely as described in this Policy. Upon approval for the use of Operating Reserve funds, the Chapter Treasurer will maintain record of the how funds are used and the plan for replenishment. He/she will provide quarterly reports to the Executive Committee of progress to restore the fund to the target minimum amount. He/she will also report on the status of the Fund as part of the annual budget process.