[Your Organization's Name]

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Reserves Policy

**Reserves Policy**

1. **Purpose**

The purpose of this policy is to establish guidelines for the accumulation, management, and use of reserves by [nonprofit name]. Reserves are funds that are set aside for specific purposes, such as:

* Ensuring the organization's financial stability
* Meeting unexpected expenses
* Funding future initiatives
1. **Types of Reserves**

[Nonprofit name] may establish the following types of reserves:

* **Operating reserves:** These reserves are used to cover ongoing expenses, such as payroll, rent, and utilities.
* **Program reserves:** These reserves are used to support specific programs or services.
* **Capital reserves:** These reserves are used to fund major capital expenditures, such as building renovations or equipment purchases.
* **Endowment reserves:** These reserves are invested, and the earnings are used to support the organization's mission.
1. **Reserve Levels**

The target reserve levels for [nonprofit name] are as follows:

* Operating reserves: 3-6 months of expenses
* Program reserves: 1-2 years of program expenses
* Capital reserves: 50% of the estimated cost of the next major capital project
* Endowment reserves: As determined by the Board of Directors
1. **Funding Reserves**

Reserves may be funded through a variety of sources, such as:

* Operating surpluses
* Donations
* Grants
* Investment Income
1. **Use of Reserves**

Reserves may be used for the following purposes:

* To cover unexpected expenses
* To fund program or service expansions
* To support the organization during periods of financial difficulty
* To fund major capital expenditures
1. **Management of Reserves**

Reserves will be invested in accordance with the organization's investment policy. The Board of Directors will review the reserve levels on an annual basis and make adjustments as needed.

1. **Review and Revision**

This policy will be reviewed and revised on an annual basis by the Board of Directors.

**Effective Date**

Date Effective