



Operating Reserves Policy
Approved by the Board of Directors April 20, 2012

Purpose:

The purpose of the NLCTB Operating Reserves Policy is to have an adequate amount of reserve funds to preserve the organization's capacity to deliver our mission in times of revenue fluctuations, revenue reductions, or investments in growth.

Policy:

Investment. The operating reserve will be kept in one or more segregated accounts (collectively, the "Operating Reserve Account"). The monies in the Operating Reserve Account may be invested at the direction of the Finance Committee in one or more of the following securities, provided that such securities can be liquidated upon two (2) business days' notice or less: (A) direct obligations of, and obligations fully and unconditionally guaranteed as to timely payment by, the United States government and any agency, instrumentality or establishment thereof; (B) commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Standard & Poor's and Moody's which is the highest investment category granted thereby; (C) repurchase and reverse purchase agreements collateralized with securities issued or granted by the United States government and any agency, instrumentality or establishment thereof; (D) money market funds having a rating in the highest investment category granted by Standard & Poor's and Moody's; and (E) bank deposits, time deposits, and certificates of deposit or bankers acceptances of depository institutions rated in the AA long-term category or higher by Standard & Poor's and Moody's.

Withdrawals. The Board of Directors may direct that monies be added to or withdrawn from the Operating Reserve Account in its discretion. The Finance Committee may direct that monies be added to or withdrawn from the Operating Reserve Account, but any such withdrawals must be limited to no more than fifty percent (50%) of the balance of the Operating Reserve Account in any given calendar quarter, and shall be reported to the Board of Directors at the next meeting of the same. The Chief Executive Officer may make withdrawals from the Operating Reserve Account, without prior approval of the Board of Directors or Finance Committee, in accordance with the following guidelines:

- Any amounts withdrawn must be transferred to the operating account for use in daily operations, and promptly reported to chairperson of the Finance Committee.
- The cumulative amount of funds withdrawn from the Operating Reserve Account during any given three (3) month period shall not exceed one month of average operating expenses of the corporation.
- Such transfers may be made only to cover unforeseen expenses or cash shortages due, for instance, to delayed arrival of funder payments or unexpected contract termination leading to reduced cash flow. Any other circumstances that would require use of the Operating Reserve Account for daily operations will require prior approval of the Finance Committee.
- When funds are withdrawn to cover cash shortages due to the delayed receipt of expected income, such funds shall be replaced and deposited back into the Operating Reserve Account promptly following the receipt of such expected income.