



OCEAN SHORES FOOD BANK

BOARD DESIGNATED NET ASSETS RESERVE POLICY

Purpose

The purpose of the Ocean Shores Food Bank is to ensure that no one in the community goes hungry by making available supplemental and emergency food to all who are in need.

Reserve Philosophy

The establishment and maintenance of a **Board-Designated Asset Reserve** will enable the Ocean Shores Food Bank to support strategic business practices and to:

- Manage cash flow interruptions.
- Minimize the need for working capital borrowing.
- Meet commitments, obligations, or other contingencies.
- Generate investment income.

The Board-Designated Net Asset reserve is designed to support three (3) strategic business practices:

- Operations Emergency - (Balance Sheet Account #: 31410)
- Community Emergency Food - (Balance Sheet Account #: 31420)
- Facility Long Term Needs - (Balance Sheet Account #: 31430)

Strategy

The **Operations Emergency Strategy** will provide emergency operating funds to allow the food bank to meet its normal monthly food purchase obligations as well as emergency replacement of equipment.

The **Community Emergency Food Strategy** will provide funds for unexpected or extraordinary food or food related costs necessitated by a community-wide emergency.

The **Facility Long Term Strategy** will provide funds for the improvement, expansion, and/or construction of a facility appropriate to the work and services of the Ocean Shores Food Bank (OSFB).

Implementation of Reserve Funds

The **Board-Designated Net Asset Reserve** was implemented August 20, 2015 with a cash transfer \$30,000 from the current cash assets of the OSFB. The following designated strategy caps were established at the January 9, 2019 Board meeting.

- The Operations Emergency Food Strategy has a designated cap of \$50,000 out of the total Board Asset Reserve.
- The Community Emergency Food Strategy has a designated cap of \$20,000 out of the total Board Asset Reserve.
- The Facility Long Term Needs Strategy has a designated cap of \$200,000 out of the total Board Asset Reserve.

The total Board Asset Reserve has a cap of \$270,000.

This OSFB Designated Net Assets Reserve Policy-2 was adopted at the February 13, 2019 Board meeting



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Fund Sources

In January of each year, 20% of the previous year end's positive **Net Revenue** as shown on OSFB Profit/Loss statement (up to a total maximum of \$20,000) shall be transferred to the Board-Designated Net Asset Reserve account. Unless modified by the board, if a **Board-Designated Net Asset Reserve Strategy** has reached its cap the balance of the allocated funds from the 20% will be split equally with the remaining **Board-Designated Net Asset Reserve strategies**.

Extraordinary outside contributions to these designated reserve strategies will not change the transfer formula, unless the reserve strategy cap has been reached. The Board of Directors has the right to make changes to the transfer formulas and/or the reserve strategy cap.

Fund Uses

With Board approval, withdrawals consistent with the purpose of the strategies may be made at any time. If a withdrawal takes place, it is the Board's duty to immediately establish a plan to recapitalize the reserve to its designated cap.

The Director may withdraw up to \$1,500 from the reserve (consistent with the purpose of the designated strategies by notifying the Board of her or his intention. Withdrawal of funds over \$1,500 requires Board approval.

Withdrawal of funds for purposes other than those stated requires Board approval as well as a Board plan to repay the monies withdrawn within six months of the distribution. Such use of the Board-Designated Reserve should be considered an extraordinary event.

Funds Management

The **Board-Designated Net Asset Reserve** needs to be visually separate within the Equity portion of OSFB's Balance Sheet from other equity/net asset accounts.

The **Board-Designated Net Asset Reserve** may be maintained in liquid and/or short-term financial investment/instruments.

The Board-Designated Asset reserve will be reviewed as part of the monthly Treasurer's report to the Board. Change within this reserve requires Board approval.

The relevance, purpose, and funding of the **Board-Designated Asset Reserve** and the subsequent designated reserves will be reviewed by the Board, or a committee of the Board, at least once every two years on the anniversary of the initial implementation.

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