

Suffern Free Library - Board-Designated Net Assets Reserves

Approved by Suffern Free Library Board of Trustees on December 20, 2022

This policy supersedes all prior policies and practices relative to this subject.

PURPOSE

The purpose of the Board-Designated Net Assets Reserves Policy (the "Reserves Policy") of the Suffern Free Library (the "Library") is to ensure its long-term financial stability. This is accomplished by positioning the Library to respond to varying economic conditions and changes affecting its ability to carry out its mission, programs, employment, and ongoing operations, and to provide a source of internal funds for organizational priorities such as building repair and improvement, program opportunity, and capacity building.

The reserves listed below are not intended to replace a permanent loss of funds or to eliminate an ongoing budget gap. Rather, it is the intention of the Library that these reserves be used and replenished within a reasonably short period of time.

The Reserves Policy will be implemented in concert with the other governance and financial policies of the Library. It is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

Carryover Operating Reserve

Historically, the Library receives the majority of its tax revenue (approximately 88%) in the first week in October and the remaining amount (approximately 12%) in April. Therefore, the Library must have a minimum of 3 months of operating reserve at the end of the fiscal year to cover the next year's expenses (for the months of July, August and September) until it receives the tax revenue for the following fiscal year. The Carryover Operating Reserve is defined as the designated fund set aside by action of the Board of Trustees at the end of the fiscal year to enable the Library to sustain operations after the fiscal year until tax revenue is received in the subsequent year. The Carryover Operating Reserve may be used without prior Board approval to pay normal operating expenses for the months of July, August and September. It will be replenished in October when the tax revenue is received.

The target minimum Operating Reserve to be maintained is equal to 3 months of average operating expenses (non-cash expenses, such as depreciation, and unusual expenses, are not included). The target minimum amount of the Operating Reserve will be calculated by the Finance Committee each year during the annual budgeting process and reported to the Board of Trustees at the time the budget is approved.

Operating Reserve

The Operating Reserve is defined as the designated fund set aside by action of the Board of Trustees intended to achieve the following objectives:

- To provide an internal source of funds to manage cash flow for situations such as a sudden increase in expenses or one-time unbudgeted expenses and to maintain financial flexibility.
- To ensure that we meet the long-term obligations to our DASNY bond-holders.

The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes.

The target minimum Operating Reserve Fund to be maintained is equal to 3 months of average operating expenses (non-cash expenses, such as depreciation, and unusual expenses, are not included). The tentative target minimum amount of the Operating Reserve will be calculated by the Finance Committee each year during the annual budgeting process. The final target minimum amount will be reported to the Board of Trustees at the regular Board meeting one month following the meeting to approve the budget.

Capital Improvements Reserve

The Capital Improvements Reserve is intended to provide a ready source of funds for other than ordinary maintenance or repair of the building. It is to be used for repairing, renewing, replacing, renovating, improving or acquiring furniture, fixtures, utility systems, technology and equipment necessary for the effective operation of the Library and programs. It is intended to provide funds to meet needs which are outside the scope of the regular operating budget.

The target amount of the Capital Improvements Reserve will be based on the Capital plan.

Opportunity/Special Projects Reserve

The Opportunity/Special Projects Reserve is intended to provide funds to meet special targets of opportunity or needs that further the mission of the Library which are outside the scope of our regular operating budget. It is also intended as a source of internal funds for organizational capacity building, such as staff development, and for opportunities/special projects identified in the Library's Long Range Plan.

The target amount of the Opportunity/Special Projects Reserve will be determined by the Finance Committee annually based on the estimated future needs. The target amount of the Opportunity/Special Projects Reserve may be increased at the time that a special project or opportunity is identified. Increases to the reserve may be funded immediately out of unrestricted net assets or over time, as determined by the Board.

Technology Reserve

The Technology Reserve is intended to further the mission of the Library by providing a ready source of funds for the acquisition of new technology and to update or replace obsolete technology and to provide necessary staff support.

The target amount of the Technology Reserve will be determined by the Finance Committee annually based on the estimated need.

Unemployment Insurance Payment Reserve

The Library has elected to discharge its obligation under NYS Unemployment Insurance Law by reimbursing benefits paid to its former employees and charged to its accounts in lieu of tax contributions, called the "benefit reimbursement" method. The purpose of the Unemployment Insurance Payment Reserve is to establish a fund for use to reimburse the State Unemployment Insurance Fund for payments made to claimants. Expenditures may be made only as required by law to pay into the Unemployment Insurance Fund an amount equivalent to the amount of benefits paid to claimants and charged to the account of the Library in accordance with Labor Law Section 581(1)(e).

The target amount of the Unemployment Insurance Payment Reserve Fund shall be based on the experience of the Library, as shown on the NYS Department of Labor's annual "Notice of Benefit Reimbursement Charges", but shall not be less than the estimated cost to pay one employee's regular benefits (26 weeks) plus extended benefits (13 weeks) at the highest reimbursement per week determined by the Department of Labor.

ACCOUNTING FOR AND FUNDING OF RESERVES

The reserve funds will be funded with operating funds and available in cash or cash equivalent funds or short-term investments in accordance with the Library's investment policies.

The following reserves will be commingled with the general cash and investment accounts of the Library and recorded in the financial records as Unrestricted Net Assets - Board Designated Operating Reserves:

- Carryover Operating Reserve
- Operating Reserve
- Capital Improvement Reserve
- Opportunity/Special Projects Reserve
- Technology Reserve
- Unemployment Insurance Payment Reserve

The reserve funds will be listed separately in the net assets section of the organization's statement of financial position. Borrowings from any reserve fund will be shown as a liability - "Due to Applicable Reserve" - in internal and external financial reports.

USE OF RESERVES

Use of any of the various reserves, with the exception of the Carryover Operating Reserve, requires three steps:

1. Identification of appropriate use of reserve funds

The Library 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. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds

before using reserves, and evaluation of the time period that the funds will be needed and replenished.

2. Authority to use reserves

Authority for use of any of the reserves is delegated to the Library Director in consultation with the Treasurer and/or Finance Committee. The use of reserves will be reported to the Board of Trustees at its next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds. A record of any such action will be maintained and be made a part of the Board meeting minutes.

In addition to conferring with the Finance Committee, circumstances permitting, the Director shall confer with the President or, in his or her absence, the Vice-President, before making an emergency expenditure. The President, or in his or her absence the Vice-President, shall call an emergency meeting of the Board, if in his or her judgment, the nature of the emergency and the expenditure involved justify presenting same to the Board before the emergency expenditure is approved.

3. Reporting and monitoring

The Library Director is responsible for assuring that the reserve funds are maintained and used only as described in this Policy. Upon approval for the use of reserve funds, the Director will maintain records of the use of funds and plan for replenishment, if required. The Treasurer will provide, as part of the regular Treasurer's report to the Board of Trustees, the status of the reserve funds and the progress to restore a fund to the target minimum amount, if required.

RELATIONSHIP TO OTHER POLICIES

The Library shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the reserve funds.

- **Investment Policy**
- **Gift Policy**
- **The Long Range Plan**

REVIEW OF POLICY

This Policy will be reviewed every other year, at a minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Trustees.