

Summary of ANS Reserves and Endowments Policy

Requested by Maryland Association of Nonprofits? - Yes

This is a new policy that incorporates many of ANS's existing standard (although unwritten) operating procedures, such as bequests always being deposited in the investment account. It also sets targets for operating and capital investment reserves and establishes a procedure for using and repaying those reserves when necessary.

The new policy does modify existing policies in one respect: A decade or so ago, the ANS Board established some special purpose endowments which have been essentially ignored since then, except for a footnote in the annual audit. This policy undoes those endowments (but not an environmental education endowment established by a donor), but allows the Board to designate unrestricted net assets as special or general purpose endowments if it wishes.

The Finance Committee approved the proposed policy by email on November 14, 2008.

Title: Reserves and Endowments

Number: FC 041

Effective:

Revised:

Review Schedule: Annually at regularly scheduled Winter meeting

Last Review:

Responsible Committees: Finance Committee

I. Purpose

- A. The purpose of this policy is to set forth the policies and procedures governing the establishment and use of reserves and endowments.
- B. To set targets for the establishment of operating and capital reserves.
- C. This policy, supersedes all previous policies addressing ANS reserves and endowments.

II. Sources and Management of Funds for Reserves

- A. ANS reserves will be funded from the following sources:
 - 1. Unrestricted bequests made to ANS, including all financial bequests and all proceeds resulting from the liquidation of non-financial bequests,
 - 2. Donations (including bequests) made to ANS which have been restricted by the donor as additions to reserves, and
 - 3. Transfers from Gift Annuity Fund after the demise of the last annuitant in the agreement (see policy FC 050), unless otherwise restricted by the donor.

- III.** All the funds listed in section II.A shall be deposited in and managed in the ANS Investment Account according to the guidelines set forth in policy FC 040 unless the donor of the funds requires that they be segregated and managed in some other manner.

IV. Reserves

- A. Donors may restrict their donations for use as reserves maintained for particular purposes
- B. The Board may also designate certain unrestricted net assets as reserves maintained for particular purposes.
- C. One Category of Reserves Shall Be Designated Operating Reserves.
 - 1. Net assets designated as operating reserves shall be available for offsetting unanticipated deficits from annual operations.
 - 2. The target shall be to establish an operating reserve that is equal to one half of ANS's annual expenses.
- D. A Second Category of Reserves Shall Be Designated Capital Reserves
 - 1. Net assets designated as Capital Reserves shall be available for undertaking substantial repairs to, improvements to, additions to, or replacements of ANS's tangible capital assets.
 - 2. The target shall be to establish a Capital Reserve of \$500,000.
- E. The Board of Directors may establish additional reserves as the need arises by amendments to this policy.
- F. Expenditures of Reserves
 - 1. The reduction of any net assets designated as reserves cannot be approved by a majority of a quorum but must be approved by a majority of the members of the Board of Directors.
 - 2. Any resolution for the reduction of any designated net assets shall include a proposed schedule for replenishing the reserve from general revenues or donations for the amount of reserves expended. This restriction does not apply to building funds where the purpose of the fund is to support the construction of new facilities.

V. Endowments

- A. Endowment Funds may be established by:
 - 1. Accepting donations that are restricted for the endowment from individuals, foundations, or other corporations

2. The Board of Directors designating unrestricted net assets as part of the endowment.

B. Management of Funds

1. All the funds listed in section V.A shall be deposited in and managed in the ANS Investment Account according to the guidelines set forth in policy FC 040 unless the donor of the funds requires that they be segregated and managed in some other manner.

C. Endowments may be established as either:

1. General endowments with the returns on the principal available as general revenues, or
2. Specific purpose endowments with the returns on the principal available only to support specific programs or for other specific purpose set forth by the terms of the endowment established by the donor.

- D. Revenues from, or the increased value of, the assets included in endowment funds are treated as general revenues unless their use is restricted by the terms of the endowment established by the donor.**

VI. Review of Policy

- A. The Finance Committee will review this policy annually at its regularly scheduled winter meeting.

Approval

Finance Committee _____ Date: _____
(chair)

Board of Directors: _____ Date _____