

**THE B TEAM HEADQUARTERS INC.  
POLICY STATEMENT – BOARD-DESIGNATED FUNDS  
OPERATING RESERVE FUND**

**BOARD-DESIGNATED OPERATING RESERVE FUND**

**I. Statement of Purpose**

The B Team Headquarters Inc. (B Team) Board of Directors designated an Operating Reserve Fund by resolution at its 18, September 2017 Board meeting. The general purpose of the fund is to help to ensure the long-term financial stability of the organization and position it to respond to varying economic conditions and changes affecting the organization's financial position and the ability of the organization to continuously carry out its mission.

The B Team will maintain a Board-Designated Operating Reserve Fund to achieve the following objective(s):

1. To enable the organization to sustain operations through delays in payments of committed funding and to accept reimbursable contracts and grants without jeopardizing ongoing operations;
2. To promote public and funder confidence in the long-term sustainability of the organization by preventing chronic cash flow crises that can diminish its reputation and force its leaders to make expensive short-term, crisis-based decisions; and
3. To create an internal line of credit to manage cash flow and maintain financial flexibility.

**II. Board-Designated Operating Reserve Fund Balance**

The target amount to be attained and maintained for the Board-Designated Operating Reserve Fund is \$1,500,000, representing approximately 50% of annual core operating expenses of \$3,000,000, or about 6 months of expenses on average. To establish the Operating Reserve Fund, the B Team Board of Directors has designated \$1,000,000 of existing accumulated liquid net assets as the beginning balance of the fund. The remaining \$500,000 is to be funded over the next 2 fiscal years in increments of \$250,000, through funding strategies incorporated into The B Team's annual fundraising plan and capital budget.

**III. Use of the Board-Designated Operating Reserve Fund**

The Executive Director may access up to \$500,000 for purposes as outlined in section I., as long as sufficient accounts or grants receivable are available to repay such usage within three months' time. The Executive Director will notify the Chair in writing, and usage will be acknowledged in writing by the Chair. E-mail or fax shall be acceptable forms of notification and acknowledgement.

Any funds borrowed from the Operating Reserve Fund for greater than \$500,000 and/or for longer than 90 days will be paid back through a prescribed repayment schedule/method. Approval of any such usage and the proposed repayment schedule shall be requested by the Executive Director from the Board. If approved by the Board, such disbursement shall be reported at the next full Board meeting. At any time that a borrowing from the Operating Reserve is outstanding, the status of the borrowing and payments made against the proposed repayment schedule will be reviewed at the regularly scheduled Board meetings. The Operating Reserve Fund will be fully depleted before use of the commercial line of credit.

**IV. Management of the Board-Designated Operating Reserve Fund**

Under the direction of the Chair, the Executive Director will establish a separate bank account for the Board-Designated Operating Reserve Fund. Policies and procedures for handling deposits, reconciling statements, safeguarding access, etc. will be the same as established from time to time for any of the organization's other bank accounts. The Operating Reserve Fund will be listed separately in the net assets section of the organization's statement of financial position as "Board-Designated Operating Reserve" and longer-term borrowings from the reserve will be shown as a liability – "Due to Operating Reserve" – in internal financial reports.

**V. Authorization of Draw-Down\* from the Board-Designated Operating Reserve Fund**

A draw-down from the fund that will not or cannot be replaced with operating funds in the timeframe established in "Use of the Board-Designated Operating Reserve Fund" above, must be approved by a majority of the Board, either by a majority of the votes of a quorum present

at a regular Board meeting, or by a 2/3 majority of the Board if such vote is conducted by other means. A record of any such action will be maintained and be made a part of the Board meeting minutes. Any such action would remove the Board designation of “reserves” from these funds.

**VI. Operating Reserve Shortfalls**

If the Operating Reserve is and has been less than 75% of the targeted reserve level for two consecutive years, the Board of Directors, in the absence of any extraordinary circumstances, will adopt an operational budget that includes a projected surplus sufficient to rebuild the Operating Reserve Fund to its targeted reserve level over the following two years.

**VII. Responsibilities of the Board of Directors**

The Finance Committee will receive reports on the Board-Designated Operating Reserve Fund at its regular meetings and shall be charged with assuring that the funds are invested prudently in accordance with the guidelines stated above and that the organization receives a reasonable rate of return considering the size of the reserve fund, the instruments in which it is invested and other relevant factors. The Executive Director will report the status of the Board-Designated Operating Reserve Fund to the Board as part of the regular Board papers. The Board will review the Operating Reserve Policy every three years, or sooner if conditions warrant, and put forward any necessary changes for Board approval.