

## Policy for Operating Contingency Fund

As approved May 4, 2010.

**PREAMBLE:** The Board of Directors of the PRSA Tar Heel Chapter recognizes that the creation of a contingency fund to cover short-term or unanticipated funding needs is a prudent action of a responsible nonprofit governing board that is committed to the long-term mission of the organization. Uses of an Operating Contingency Fund (OCF) might result from circumstances such as economic downturns, the cancellation of a major conference at the last minute due to unforeseen circumstances or a major drop in member dues income due to difficult financial times for nonprofits. The Board thus creates an Operating Contingency Fund.

As a professional organization that has been providing service since 1981, the Board approves this initial policy as a responsible beginning in meeting the Chapter's needs for contingency funds to ensure stable operations. The Board recognizes that this policy will need to be reviewed or revised as the Chapter's budget and cash flow needs and its long-term funding capacity changes.

**PURPOSE:** To provide revenue funds for unexpected cash shortfalls so the Chapter's core programs and services can continue while the immediate funding problem is addressed or until the overall budget level can be adjusted.

**GOAL:** To build OCF to three months of the Chapter's annual budget by Dec. 31, 2011. This level would enable the Chapter to cover shortfalls or losses while regrouping to amend the budget or raise additional funds.

**SOURCES OF FUNDING:** The OCF will be funded by:

1. Appropriate excess revenues over expenditures remaining at the end of each fiscal year after the board has approved the year-end financial report and after cash flow needs for the next fiscal year are taken into account; and
2. Income earned by the OCF itself.

**INVESTMENT OF FUNDS:** The Board of Directors asks the Treasurer to make recommendations to the Board regarding investment criteria and guidelines, to monitor investments, and to monitor growth and the use of the OCF (see Monitoring and Revision below).

The investment goals for the OCF are as follows:

1. Preservation of capital;
2. Liquidity;
3. Optimization of investment return within the constraints of #1 and #2 above.

Allowable investments include the following:

1. Certificates of deposit at federally insured depository institutions;
2. U.S. Treasury and agency obligations, as well as corporate commercial paper and investments typically used in domestic money market funds, provided they are investment grade and dollar denominated.

The President shall authorize investments by adhering to specific criteria recommended by the Treasurer and approved by the Board of Directors. It shall be the responsibility of the President to have sufficient allowable investments maturing to meet the Chapter's financial obligations in a timely manner.

DESIGNATION: Unrestricted.

USE OF OCF: The Board authorizes the President to utilize up to one-third of the OCF for unanticipated shortfalls or funding needs in a fiscal year with the approval of the Treasurer. Expenditures beyond one-third require majority approval by the Board. If the Chapter must use the OCF, the Board will strive to build the OCF to meet the required level as soon as feasible.

MONITORING AND REVISION: The Treasurer will monitor the growth, investment and use of the OCF as well as the Chapter's ability to raise its operating budget each year. The Treasurer will recommend changes needed as appropriate by the end of the fiscal year in preparation for the budget review process. Changes could include policies for asset allocation to grow the OCF for the long term, additional investment options, increases in the goal for the percentage of budget needed in the OCF, proposals for other types of reserve funds, or other changes or financial policies as needed. The Board of Directors may make changes before that date if needed.