

OPERERATING RESERVE FUND



Attachment C to the **OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY**

A. Objective Statement

The primary objective of the **Operating Reserve Fund (Fund)** is to establish an operating reserve for the Colorado State Science Fair Inc, (CSSF) that will permit the organization to continue to operate during difficult financial times. Some examples for use of operating reserve funds are as follows:

1. Maintain current level of operations while the CSSF addresses longer term solutions to potential operating problems.
2. Maintain current level of operations while the CSSF fundraises for substitute funds should a major funder not renew their funding.

The primary investment objective of this policy is capital preservation and liquidity.

The **Operating Reserve Fund** is established as a **Specially Reserved Fund** and operated in accordance with the Colorado State Science Fair, Inc., **OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY**, approve April 4, 2020.

B. Operating Reserve

The CSSF will work towards growing and maintaining an operating reserve of 2/3 of the annual average operating budget. The operating reserve will be reviewed by the CSSF Finance Committee as required by the **OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY** to ensure that the organization is in compliance with this goal.

Operating reserve funds in excess of the 2/3 reserve will be invested slightly more aggressively, but with the intent of maintaining the principle. For example, in short term bank CD's, money market funds or short-term governmental bonds etc. These funds will be available to use in the current budget year for emergencies only. Returns from this fund in excess of the 2/3 reserve can be designated for expanding the services of the CSSF, such as funding a full-time Executive Director, assistance to Regional Science Fairs, CSSF operating costs, or special projects.

A minimum of 75% of the increase in unrestricted net assets from the current year will be added to the **Fund** until the maximum reserve balance has been achieved. An amount should be built into the annual budget to build the operating reserve to the desired level.

The **Operating Reserve Fund** will be invested in accordance with the **OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY**, approved April 4, 2020.

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Earnings from the **Fund** investments will be added to the balance until the maximum reserve balance is achieved. Once the maximum balance is achieved, then the earnings can be used for expanding the services of the CSSF.

Any spending of the operating reserve corpus must be approved in advance by the CSSF Board of Directors.

C. Investments

Since capital preservation and liquidity are the two main objectives for the investment of the **Fund**, the portfolio will be one with a short-term focus. Following are the investment guidelines for the investment of the **Fund**:

- a) Maturity for each investment should be no more than 3 years.
- b) At least 10% of the portfolio should have a maturity of less than 90 days.
- c) Permissible investments for the portfolio are as follows:
 - i. Money Market Funds – these funds should be available upon demand, must be with a financial institution that is insured and must not exceed the insured limit at the institution.
 - ii. Certificates of Deposit – these funds should be issued by financial institutions that are insured by the FDIC and are limited to no more than the current FDIC limit in principle per institution.
 - iii. Commercial Paper - investments in these instruments are authorized provided they hold a rating of A1/P1, are 90 days or less in maturity and are limited to \$100,000 per issuing entity.
 - iv. Repurchase Agreements – these investments with banks are eligible investments, only if the bank is rated AA or better, and the repo collateral consists of government securities. Collateral should be delivered and held by the bank in Colorado State Science Fair’s name. The term of the repo is not to exceed 14 days, and the amount may be no larger than \$150,000.
 - v. Banker’s Acceptance – these are eligible investments provided that the draft is drawn on an authorized obligatory bank, does not exceed \$150,000, is for 90 days or less, and another security (i.e., commercial paper, negotiable CD or repo) is not presently outstanding with the issuing bank. The bank shall have a commercial paper rating of A1-P1.
 - vi. U.S. Government Obligations - the only restriction on direct U.S. Government securities will be a limit of \$300,000 per maturity, and a maximum term of three years.
 - vii. Federal Agency Securities - investment in government agencies that are not direct obligations of the federal government will be restricted to one-year maturities and a maximum of \$300,000 per agency.
 - viii. Corporate Notes - investments in Corporate Notes are authorized provided that the debtor holds an AA rating or its equivalent and has a maturity of one year or less, is a United States corporation, and is limited to \$100,000 per entity. These investments shall be made through public placement only.

Adopted: July 2021

Last Updated/Reviewed: _____

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- d) The Finance Committee is to receive regular reports of investment performance and investment activity.
- e) The utilization of outside investment professionals may be considered when implementing part or this entire program. Such professional service must be bound by these same guidelines while undertaking its investment management role.

D. Authorization

A resolution by the CSSF Board of Directors shall authorize the President to implement the **Operating Reserve Fund** in relation to investing the Organization's operating reserve funds.

There are no monies in the **Operating Reserve Fund** at its' initial authorization.

E. Responsibilities

The ultimate responsibility for investment oversight resides with the CSSF Board of Directors. The Finance Committee in accordance with the **OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY** shall monitor the investment portfolio for compliance with this policy:

The Finance Committee shall review the portfolio periodically at Finance Committee meetings and review the guidelines at least annually.

At least quarterly, the Treasurer shall report to the CSSF Board the investment performance of the **Operating Reserve Fund** and compliance with the **OVERALL ENDOWMENT and SPECIALLY RESERVED FUNDS POLICY**.

Adopted by the Board of Directors of the Colorado State Science Fair Inc. on July 24, 2021.



President of the Board of Directors



Secretary of the Board of Directors

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