



BOARD RESOLUTION OPERATING RESERVE POLICY

At the Thursday, April 24, 2014, meeting of the Board of Directors of the Society of St. Vincent De Paul - St. Louis Council the following resolution was proposed and approved.

Policy

The policy of the Board is to maintain adequate operating reserves to make for efficient running of the working capital requirements of the Society; provide funding for new or expanded programs that the Board could approve; and have guidelines for the use of excess reserves for now and in the future.

Definition of Operating Reserves

These reserves are funds that are not encumbered by a donor restriction and which can be used in any facet of the Agency's operations. It does not include funds in an Endowment nor those that have become temporarily restricted for time or purpose by a donor. The Board also recognizes the need to establish designated funds to support the strategic plan of the Society. These funds will not be included in the operating reserve. The operating reserve will be measured at the end of each fiscal year and will be averaged on a rolling three year period.

Per the Society's Investment Policy, it is the goal of the Society to maintain a balanced budget for normal operations while only using 4% of the Operating Reserve's annual return.

Financially responsible guidelines

The United Way's standard is: "A board-approved policy defines the targeted level of reserves, if outside the United Way recommended level of noncapital unrestricted net assets that are 25-75% of annual expenses."

The Board endorses a policy of having an operating reserve balance, as previously defined, of 75% of annual expenses. If the reserve exceeds 75%, the Board will approve a plan for special initiatives and/or distribution of excess to local conferences based on the priorities of the St. Louis region at that time.

Strategic Plan Initiatives

The Society is currently working under a 3 year strategic plan. The Board has designated \$829,200 to support the implementation of these initiatives including:

- Conference Support - \$136,000 is the expected investment required to meet the strategic goals related to formation and training, recruitment and advancement, and service and collaboration;
- Conference Support Technology System - \$56,800 (\$17,750 for 3 years plus \$3,550 set up fee) for conference/client database and reporting system to automate client record keeping, reports and share client information throughout council area;
- Board - \$5,000 for training tools related to board engagement and effectiveness;
- Stores - \$256,400 for maximizing profitability of current five thrift stores and donation department. To upgrade current stores to the store model plan it is anticipated a cost of \$138,883 for increased labor (3-month sunk costs); \$39,600 for lease of a 4th donation truck (\$1,100 per

month for 3 years); \$70,417 for fixture and store improvements; \$7,500 for POS improvements, training, and support;

- Stores - \$300,000 for opening a new store each year. An average new store opening in the past costs \$65,970 (however, it is anticipated that a new store will cost \$100,000 going forward if opened under the new store model being developed);
- Development - \$75,000 for new marketing initiatives (\$25,000 per year). Currently working on plan design with projects includes website, graphics, etc.

Present situation

The present Operating Reserve as of March 31, 2014 is \$4,988,099, not including donor restricted Endowment balance of \$479,457.

It is anticipated that the Operating Reserve Balance (without the Endowment) as of fiscal year end on September 30, 2014 will be approximately \$4,602,454 (less \$185,645 per budget less \$200,000 deposited year-to-date based on excess cash flow).

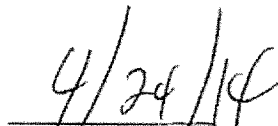
The budget for Fiscal Year 2014 is \$4,610,581 with an anticipated budget of \$5,071,639 (10% increase for store growth and new programs) for FY 2015. At fiscal year-end, if the 3-year average reserve is \$4,412,064 and if the final budget for next fiscal year is \$5,071,639, then the Board will look at investing approximately \$608,335 ($\$5,071,639 * 75\% = \$3,803,729$ less \$4,412,064) into the strategic plan initiative above leaving no excess funds for special initiatives or distribution to local conference.

Special Initiatives

- Others that arise in a changing NFP environment.
- If the building at 100 N. Jefferson sales, then the profit of the sale will be put in a board designated fund for future relocation costs of SVDP St. Louis.

This policy supplements the Reserve Fund Policy, approved on the 17th day of May, 2012.


Approved (Board Director)


Date