Title: INVESTMENT FUND AND OPERATING RESERVE POLICY

Date of Approval: April 5, 2023

I. Rationale

The members of the Young & Healthy Board of Directors have a fiduciary responsibility to ensure that the organization operates for the public good and consistent with its mission. The Finance Committee is charged with oversight of all financial matters of Young & Healthy. The Committee may make recommendations to the Board on financial matters including the management of the Investment Account, which includes the Operating Reserve.

The Young & Healthy Investment Account is intended to financially support the organization's maintenance and growth of mission-driven services and facilities. Within the Investment Account, the Operating Reserve supports the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unexpected loss in funding, or uninsured losses.

Young & Healthy is committed to starting each fiscal year with a balanced budget. We recognize that due to unforeseen revenue shortfalls or expenses, we may end the fiscal year with a budget deficit. This Policy sets forth the processes for ensuring continued operations during a budget deficit period, the ability to meet critical operational needs, and approval of withdrawals from the investment account for planned growth.

The Board of Directors has adopted this Policy to ensure that Young & Healthy's assets and investments are utilized in a manner that inures to the benefit of the organization and its ability to fulfill its strategic mission. It is intended to be implemented in concert with the Board's Statement of Investment Objectives and Guidelines.

II. Funding and Management of Operating Reserve

1. The Operating Reserve will be funded with unrestricted revenue and held in the organization's investment account.

2. For the purposes of this policy, Operating Reserve is defined as the amount required for Young & Healthy to meet its monthly anticipated operating expenses, including staff salaries and benefits, contractual obligations, and regular and predictable overhead costs for a period up to six months.

3. At all times and to the greatest extent possible, Young & Healthy will maintain a minimum of six months of operating reserves in its investment account.

4. The amount of the Operating Reserve will be calculated each year after approval of the annual budget, based on the projected expenses for that fiscal year. The Finance Committee will review the calculation at the end of each calendar year and, if necessary, adjust the calculation based on revised expense projections. The Operating Reserve balance will be included in monthly financial reports, tracked against the 6-month target amount, and reported to the Finance Committee and the Board of Directors.

5. Operating reserves will be invested conservatively and in such a way as to provide adequate liquidity to meet Young & Healthy's needs, in accordance with Young & Healthy's Statement of Investment Objectives and Guidelines.

6. The Board of Directors may direct the transfer of unrestricted revenue from the organization's checking account to its investment account if it is determined that the specified funds are not needed to support anticipated monthly operating costs of the organization.

III. Authority to Use Investment and Operating Reserve Funds

1. Expenditures from the Investment and Operating Reserve funds require approval according to the following process:
    a. If a request to use investment account funds is less than or equal to 5% of the net difference between the amount in the investment account and the amount equivalent to Operating Reserves, prior approval will be required as follows:
        i. The Executive Director will submit the request to the Finance Committee.
        ii. The Finance Committee will review and vote on the request.
        iii. The Finance Committee will report its recommendation to the Board, which will review and vote on the recommendation.
    b. If a request to use investment account funds exceeds 5% of the net difference between the amount in the investment account and the amount equivalent to Operating Reserves, prior approval will be required as follows:
        i. The Executive Director will submit the request to the Finance Committee.
        ii. The Finance Committee will review and vote on the request and report its recommendation to the Executive Committee.
        iii. The Executive Committee will review the recommendation and make its recommendation to the Board.
        iv. The Board will review and vote on the recommendation, including a replenishment timeline and any other conditions it wishes to impose.

    c. A Board member may submit a recommendation to spend investment funds following the same approval process stated above.

d. In the event that an expenditure dependent upon the use of Investment Funds requires immediate review and approval, the Board may take appropriate action without a meeting, pursuant to Article 4, Section 4.16 of the Bylaws.

2. An expenditure request pursuant to this policy can be made at any time during the fiscal year. Each request should be reviewed with consideration for its purpose, justification, alignment with Mission, and the availability of alternative sources of funding.

3. If a spending decision reduces the balance in the 6-month Reserve, the Finance Committee and staff leadership will develop a replenishment plan that includes a timeline and identifies strategies to build back the fund. The plan will be reported to the Board.

4. The Board's prior approval is not required in order to use the Operating Reserve to pay expenses essential to maintaining organizational operations (e.g., salary, benefits, contractual obligations). The decision to use the Reserve for these purposes will be made jointly by the Executive Director and the Executive Committee with a full and timely report to the Board.

IV. Acceptable Use of Investment and Operating Reserve Funds

Funds withdrawn from the Young & Healthy investment account will be used to further Young & Healthy's mission-driven programs and services or for essential capital expenditures. Exceptions to the use of the funds for other purposes require a super majority vote of the Board of Directors (i.e., 75% of those voting when a quorum is present).

V. Review of Policy

This Policy will be reviewed every other year, at a minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors.

Approved by the Board of Directors April 5, 2023