CASH RESERVES POLICY

PURPOSE

The purpose of the cash reserves policy for the Tucson Amateur Astronomy Assn. (TAAA) is to enhance the financial management of the organization, to ensure the mission, programs, and ongoing operations are financially well supported with unrestricted funds and give visibility to the levels of the operating funds within TAAA for members and the TAAA board of directors (the Board).

This policy defines and outlines the relationships among the TAAA cash accounts – the Operating Accounts, the Reserve Account and the TAAA Endowment Fund. The funds available to TAAA operations are divided into these three levels, each funded and each utilized under particular financial circumstances.

DEFINITIONS AND GOALS

Operating Account

The Operating Accounts are the General Operating, Timpa Operating and CAC Operating Accounts. These are the first source of cash funds for the ongoing operations of TAAA. Funds for day to day operations are drawn from these accounts. Any unrestricted deposits received by TAAA are credited to these accounts unless otherwise indicated by a donor or Board action.

A good baseline for the Operating Accounts is to have 6 months of cash on hand available to handle ongoing expenses. Cash held in excess of these levels provides an additional cushion for unexpected expenses.

These funds are held in cash or near cash investments in a bank account or investment account.

Reserve Account

The Reserve Account ("Reserve") provides a buffer which is intended to be drawn on as an internal source of funds for highly unusual situations when an Operating Account has or will be temporarily depleted due to circumstances such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses above and beyond the funds normally held in the TAAA Operating Accounts. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, special events or investment in infrastructure as directed by the Board of Directors.

At such time as the level of cash in the Operating Accounts at the end of the fiscal year exceeds the average of the previous 2 years of operating expenses the cash surpluses in excess of this level will be contributed to the Reserve Account unless otherwise directed by the Board of Directors. The calculation of average operating expenses includes all recurring, predictable expenses such as utilities, rents, insurance, printing, postage, and ongoing professional services. Excluded are expenses related to purchase of apparel and other goods for resale, one time fees or professional services. Depreciation and other non-cash expenses are also not included in the calculation.

The Reserve serves a dynamic role and may be reviewed also be adjusted throughout the year by the Board in response to internal and external changes and projections of financial results.

These funds are held in cash or near cash investments in a bank or investment account.

Tucson Astronomy Endowment Fund

The Tucson Astronomy Endowment Fund ("Endowment") is a Board Designated Quasi Endowment account intended to support TAAA as a longer term source of operating funds. These funds represent the accumulation of funds above the level of day to day expenses foreseen for years to come.

When the Operating Accounts are fully funded (exceeding the previous 2 years' operating expenses) and the Reserve Account has grown for a second year, a portion of the funds in the Reserve Account may be moved to the Endowment Fund as directed by the Board.

In addition to funds from the Reserve Account, donations to TAAA will be deposited to the Endowment Fund if instructed to do so by the donor. The Board of Directors may from time to time direct that a specific source of revenue be set aside for the Endowment Fund. Examples may include one-time gifts or bequests, special grants, or special appeals.

The account may accumulate funds when cash on hand reaches high levels and the board determines the excess can be contributed to this legacy funding, or when a donor or the Board specifically designates funds for this purpose. These funds are held in cash, near cash, fixed income or equity investments.

The goal of the Endowment is to accumulate funds to invest for the future support of TAAA, reserving the invested principal and distributing only the income and gain in value above the invested principal.

Neither the Reserve nor the Endowment Funds are intended to replace a permanent loss of operating funds or eliminate an ongoing budget gap. It is the intention of TAAA for the Operating Reserves to be used and replenished within a reasonably short period of time.

More detail about the Endowment Fund can be found in the TAAA Endowment Fund Policy and the Endowment Spending Policy.

Cash Reserve Accounts

Operating Accounts

Target - 6 months to
2 years of expenses

Used for day to day
Operations – utilities,
Insurance, rents

Reserve Account

Target – accumulate
Budget surpluses
For at least one year

Temporary emergency
Funding for operations

Endowment Fund

Target- $750,000

Accepts spillover of budget
surpluses

Permanent Legacy
Support of TAAA

Asset Infrastructure

Long Term
Income Support

May accept specific
donations

Distribute income, gains, up
To 5% per year