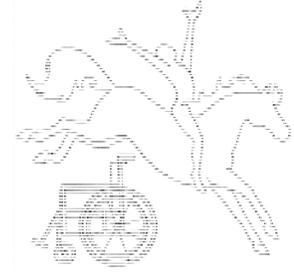




Ride On



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Board Designated Operating Reserves Policy

The purpose of this statement is to formalize Ride On's policy for building and maintaining its Operating Reserves. Ride On first built its reserves to \$250,000 in 2005 thanks to a bequest. The Board tapped these reserves twice: in 2008 to help complete the purchase of our Chatsworth ranch; and in 2016 to help complete the construction of our new Education Building.

I. Purpose:

The general purpose of the fund is improve the ability of the organization to continuously carry out its mission by:

1. Helping to ensure the long- term financial stability of the organization;
2. Positioning it to respond to varying economic conditions and changes affecting the organization's financial position
3. Creating an internal line of credit to manage cash flow and maintain financial flexibility; and
4. Seizing strategic opportunities.

II. Board-Designated Operating Reserve Fund Balance

The target amount to be attained and maintained for the Board-Designated Operating Reserve Fund is \$250,000, representing approximately 25% of annual operating expenses of \$1,000,000, or about 3 months of expenses on average. To establish the Operating Reserve Fund, the Ride On Board of Directors has designated \$25,000 of existing accumulated liquid net assets as the beginning balance of the fund. The balance is to be funded by special one-time grants, including matching grants and, over the next fiscal years, by allocating year-end net income to reserves until the targeted level is reached.

III. Use of the Board-Designated Operating Reserve Fund

The Chief Executive Officer may access up to \$25,000 for purposes as outlined above, as long as sufficient accounts or grants receivable are available to repay such usage within three months. The Chief Executive Officer will notify the Treasurer in writing, and usage will be acknowledged in writing by the Treasurer. E-mail or fax shall be acceptable forms of notification and acknowledgement.

Any funds borrowed from the Operating Reserve Fund for greater than \$25,000 and/or for longer than 90 days will be paid back through a prescribed repayment schedule/method. Approval of any such usage and the proposed repayment schedule shall be requested by the Chief Executive Officer from the Board. If approved by the Board, such disbursement shall be reported in the minutes. At any time that a borrowing from the Operating Reserve is outstanding, the status of the borrowing and payments made against the proposed repayment schedule will be reviewed at regularly scheduled Board meetings.

IV. Management of the Board-Designated Operating Reserve Fund

The Chief Executive Officer will maintain accounting procedures for handling Board Designated Operating Reserve Funds similar to Ride On's audited accounts. No separate bank account is required but one may be used if desired. Policies and procedures for handling deposits, reconciling statements, safeguarding access, etc. will be the same as established from time to time for any of the organization's other bank accounts. If feasible, the funds will be invested according to the guidelines set in the Operating Reserve Investment Policy.

The Operating Reserve Fund will be listed separately in the net assets section of the organization's statement of financial position as "Board-Designated Operating Reserve" and longer-term borrowings from the reserve will be shown as a liability – "Due to Operating Reserve" – in internal financial reports.

V. Authorization of Draw-Down* from the Board-Designated Operating Reserve Fund

A draw-down from the fund that will not or cannot be replaced with operating funds in the timeframe established in "Use of the Board-Designated Operating Reserve Fund" above, must be approved by a majority of the Board, either by a majority of the votes of a quorum present at a regular Board meeting, or by a 2/3 majority of the Board if such vote is conducted by other means. A record of any such action will be maintained and be made a part of the Board meeting minutes. Any such action would remove the Board designation of "reserves" from these funds.

*Note: this essentially decreases the fund from the established target level and is not recommended except under extraordinary circumstances.

VI. Operating Reserve Shortfalls

If the operating reserve is less than 50% of the targeted reserve level for two consecutive years, the Board of Directors will adopt an operational budget with a projected surplus to rebuild operating reserves over the following two-four years back to its targeted reserve level.

VII. Investing and Reporting

Operating Reserves may be invested in government insured securities. Any other type of investment requires prior Board approval. Funds shall be invested prudently in accordance with the guidelines stated above ensuring that the organization receives a reasonable rate of return considering the size of the reserve fund, the instruments in which it is invested and other relevant factors. The Treasurer or the CEO will report the status of the Board-Designated Operating Reserve Fund to the Board as part of the regular Financial report. The Board will review the Operating Reserve Policy as needed and put forward any necessary changes for Board approval.

Approved by the Board of Directors – October 19, 2016