

PRESBYTERIAN CHURCH (U.S.A.), A CORPORATION
RESERVE POLICY

The purpose of this Reserve Policy is to provide guidance on the establishment, management, and utilization of reserve funds. Three specific funds are outlined in this document: an Operating reserve fund, a Capital Replacement reserve fund, and a Determined Risk reserve fund.

❖ **Operating Reserve Fund**

The Presbyterian Church (U.S.A.), A Corporation (“A Corp.”) will maintain liquid assets as an Operating Reserve. A Corp. will seek to maintain an operating reserve balances to protect the organization from risks negatively impacting its mission that may adversely impact the organization’s financial status and overall ability to maintain operations during short-term periods of volatility.

A Corp. will maintain an operating reserve, from available unrestricted reserves, equal to three months of income. Income equals the total of Contributions, Investment Return, and Sales of Services and Resources minus those revenue streams associated with the Foundation spending formula. Monthly income is calculated as an average of the prior approved biennial budget cycle total.

Funding allocation to the Operating Reserve will be evaluated as part of the biennial budget process. Planned additions or reductions to this Operating Reserve will be accounted for within the biennial budget process, which is voted on and approved by the General Assembly.

Any request to access the operating reserve fund must be submitted in writing to the A Corp. board. The request should include a detailed explanation of the purpose of the withdrawal, the amount requested, and supporting documentation.

❖ **Capital Replacement Reserve Fund**

The Presbyterian Church (U.S.A.), A Corporation (“A Corp.”) will maintain a capital replacement reserve dedicated to the costs associated with replacing or upgrade of major capital assets including infrastructure, equipment, and buildings. The amount allocated to the reserve fund is determined based on the expected lifespan of the capital assets, their replacement cost, and any anticipated future maintenance or upgrade expenses.

Funding allocation to the Capital Replacement Reserve will be evaluated as part of the biennial budget process. Planned additions or reductions to this Capital Replacement Reserve will be accounted for within the biennial budget process.

❖ **Determined Risk Reserve Fund**

Several additional risks have been identified which require the establishment of reserve funds to effectively mitigate these identified risks.

- Insurance Retention Fund – A Corp. has retentions (deductibles) related to insurance policies. In the event of a claim fifty percent of this retention will be funded from the Self-Insurance Fund (an inter-agency financial mechanism that enables management of insurance exposure) and the other fifty percent would be covered by this Fund.
- Mission Personnel Fund – Together with global partners, PC(USA) mission personnel are engaged in life-transforming ministries around the world. This Fund enables swift and effective response to unforeseen emergencies or crises that necessitate the evacuation of mission personnel from a volatile or unsafe environment.
- Property Management Fund – A Corp. holds title to several properties. A fund specifically earmarked for property holding costs acts as a crucial financial buffer, providing essential support to cover ongoing expenses during periods of transition or vacancy.

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- Program Continuity Fund – A Corp. does not pay into state unemployment insurance. When an individual leaves employment under certain circumstances, notice and severance pay is provided to the employee. This fund is designed to mitigate the financial impact of staffing changes on the operational budget.

Funding allocation to the Determined Risk Reserve will be evaluated as part of the biennial budget process. Planned additions or reductions to this Determined Risk Reserve will be accounted for within the biennial budget process.

In the event of unforeseen circumstances that pose an immediate threat to A Corp.'s operations or financial stability, staff are authorized to access determined risk reserve funds to address the situation. Upon accessing determined risk reserve funds, staff must notify the A Corp. Board as soon as practically possible. Notification should include a rationale, the reason for accessing determined risk reserve funds, the amount withdrawn, and any actions taken or planned to mitigate the situation.

*Approved on May 2, 2024,
By the Presbyterian Church (U.S.A.), A Corporation Board*