

# Nonprofit Operating Reserve Toolkit

## Building Financial Sustainability

The operating reserve fund is the emergency fund for your nonprofit organization. In good times, it helps you make more strategic decisions and take advantage of favorable opportunities. In lean times, it gives your leadership time to think without having to take drastic steps, such as suspending programs when your communities need them most.

In this toolkit, we've gathered our top resources for operating reserve funds, including:



How to explain to your leadership why you need an operating reserve fund



What you need to understand when calculating the amount to keep in your fund



The information that should be included in your operating reserve fund policy

### ADDITIONAL NONPROFIT OPERATING RESERVE RESOURCES

#### Nonprofit Operating Reserve Initiative Workgroup (NORI)

This all-volunteer advocacy effort aims to define, promote, and facilitate the practice of building and maintaining operating reserves to help nonprofits continue the programs and services that enhance our lives. You can learn more at [nonprofitaccountingbasics.org](http://nonprofitaccountingbasics.org)

“Operating reserve funds help organizations avoid a fragile state, which can compromise program quality or quantity.”

—Bess Hamilton Foley, nonprofit expert and operating reserve champion



## Reserving for Sustainability: Making the Case for Building Nonprofit Operating Reserves

In this conversation with Nonprofit Expert and operating reserve champion Bess Hamilton Foley, she shared that having no operating reserves can make it almost impossible for nonprofit leadership to think strategically. In this webinar, Bess discusses that and other reasons why it's critical for organizations to plan for times of increased need. She also provides guidance on how to calculate the amount of your fund, what factors can impact your reserves, and how to communicate about your reserves to your stakeholders.

### [Watch the Webinar](#)



## Five Cases for Building Nonprofit Operating Reserves

“Not-for-profit” does not mean “no surpluses allowed.” An operating reserve can help ensure that an organization can continue its vital programming activities even during uncertain economic conditions. As the saying goes: It’s a tax status, not a business model. Fortunately, many nonprofit donors and charity rating groups are moving away from this way of thinking and are now acknowledging that operating reserves play a vital role in building an organization’s long-term sustainability.

In this blog post, Bess Hamilton Foley goes into more detail about different reasons why your organization needs an operating reserve fund, helping you explain the importance to your stakeholders.

### [Read the Blog Post](#)



## How to Develop Your Nonprofit Operating Reserves

Operating reserves provide a financial cushion to help nonprofit organizations weather economic uncertainty and make stronger strategic decisions. Every nonprofit organization should have one, but the amount and process for developing those reserves will vary for each organization. Factors such as cash flow cycles, revenue volatility, and spending flexibility make calculating operating reserves a personalized process for your nonprofit.

This blog post outlines the actual calculations for identifying how much you should have in your operating reserve fund and how to weigh the different factors that can affect that number.

### [Read the Blog Post](#)

“After the unexpected challenges of a global pandemic, inflation, and possible recession, many funders are looking to invest in financially stable organizations that are thinking ahead and appropriately managing their funds.”

—Bess Hamilton Foley, nonprofit expert and operating reserve champion



## Seven Step Policy Guide for Nonprofit Operating Reserves

In this conversation with Nonprofit Expert and operating reserve champion Bess Hamilton Foley, she shared that having no operating reserves can make it almost impossible for nonprofit leadership to think strategically. In this webinar, Bess discusses that and other reasons why it's critical for organizations to plan for times of increased need. She also provides guidance on how to calculate the amount of your fund, what factors can impact your reserves, and how to communicate about your reserves to your stakeholders

[Read the Blog Post](#)



## Checklist for Creating Your Operating Reserve Fund

Use this checklist to put all your knowledge of operating reserve funds into practice. Follow these seven steps to go from explaining the need for an operating reserve fund to understanding what to do after your organization has used a portion of the funds.

[Download the Checklist](#)

“Your nonprofit reserve fund policy, and your larger internal controls, will help you build trust with your donors that you are stewarding their contributions wisely.”

—Bess Hamilton Foley, nonprofit expert and operating reserve champion

In this toolkit, Bess provides many tips for creating, calculating, funding, maintaining, and defending your need for a healthy operating reserve. To do this effectively, you'll need the ability to easily understand your financial position, what funds do and do not have donor restrictions, the status of your special purpose funds, and good budget-to-actuals reporting, among other capabilities.

Blackbaud Financial Edge NXT® fund accounting system is purpose-built for the needs of tax-exempt organizations like yours. If you're interested in learning more, drop some quick information in this form and a representative from Blackbaud will be in touch.

[Learn more](#)

### About Blackbaud

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