

Reserve Fund Policy

Approved: November 2019

Purpose:

The purpose of the Reserve Fund is primarily to restrict existing surpluses for future use in the event of an unforeseen circumstance requiring issuance of non-budgeted funds.

Background:

The reserve fund was approved at the September 17, 2014 National Board meeting and established at an initial amount of \$250,000.

Best practice for not-for-profit organizations is to maintain a reserve fund balance equal to three to six months of operating expenses. Currently, fmi*igf averages \$55,000 in recurring monthly expenses. With the predictability and stability of PD Week, which is the main source of revenue (85%) for fmi*igf, and the financial health of the majority of the Chapters, a risk-based analysis deems this to be an excessive amount. Instead, the Reserve Fund will be maintained at the greater of \$250,000 or 10% of the budgeted annual expenses for fmi*igf.

Accounting for the Reserve:

The Reserve Fund will be reported on the Statement of Financial Position as an internally-restricted net asset.

Authority to Access Reserve:

A request to access the Reserve Fund must be made to the Finance and Audit Committee (FAC). The FAC will review the request and if in support, will make a motion to the National Board. The National Board will hold a vote, which must be supported by a two-thirds majority approval.

Review of the Reserve Policy:

The FAC will review the level of the Reserve Fund annually, upon approval of the annual operating budget. This review will coincide with a review of the investment policy.