

# SAMPLE RESERVE INVESTMENT POLICY

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## **INTRODUCTION:**

THE RESERVES OF THE ASSOCIATION ARE UNRESTRICTED NET ASSETS EXCLUDING PROPERTY WHICH ARE CALCULATED ON A CONSOLIDATED BASIS. OUR RESERVES SHOULD BALANCE OUR NEED TO PROVIDE FUNDS FOR MAINTAINING OPERATIONS DURING TIMES OF FINANCIAL OR OTHER STRESS IN A CAREFULLY PLANNED AND ARTICULATED PROPOSAL.

A PORTION OF OUR RESERVE FUNDS MAYUSED AS VENTURE CAPITAL OR SEED MONEY FOR NEW PROGRAMS AND SERVICES NECESSARY FOR OUR ORGANIZATION'S GROWTH FOR APPROPRIATE MULTI-YEAR PROGRAMS AND SERVICES. THESE PROJECTS CAN BE FUNDED BY A MAJORITY VOTE OF THE BUDGET AND FINANCE COMMITTEE AND SUBSEQUENTLY THE BOARD. THESE FUND ALLOTMENTS SHOULD BE CONSIDERED "LOANS" AND AFTER PROGRAM FRUITION, REPAID TO THE RESERVE FUND.

## **RESERVE OPERATING INSTRUCTIONS**

THE FOLLOWING GUIDELINES SHOULD BE OBSERVED WHEN SETTING RESERVE POLICY PARAMETERS BY THE BUDGET AND FINANCE COMMITTEE:

1. A PORTION OF THE RESERVE FUND WILL BE TARGETED AS FUNDS TO BE USED FOR SUPPORTING OPERATIONS IN A DOWNTURN AND TARGET A MINIMUM OF 6 MONTHS (50%) OF ANNUAL UNRESTRICTED OPERATING EXPENSE. A PERIOD OF TIME SHOULD BE DESIGNATED BY THE BUDGET AND FINANCE COMMITTEE FOR THIS FIGURE TO BE ACHIEVED. OUR RESERVE FUND LEVEL SHOULD BE REVIEWED ANNUALLY, BALANCING THE NEEDS OF THE ASSOCIATION AGAINST THE DESIRE TO ACHIEVE THE 50% TARGET.
2. THE RESERVE LEVEL SHOULD NOT BE PERMITTED TO DROP BELOW 25% OF ANNUAL OPERATING EXPENSE (UNRESTRICTED). IF THIS THRESHOLD IS OR NEEDS TO BE CROSSED IN PROJECTING ANTICIPATED ANNUAL RESULTS OR IN THE BUDGET PROCESS, THE BUDGET AND FINANCE COMMITTEE AND THE BOARD WILL BE INFORMED AND MANAGEMENT WILL TAKE CORRECTIVE ACTION AS DIRECTED.
3. A PERCENTAGE OF OUR RESERVES, AND NOT LESS THAN 50%, SHOULD BE MAINTAINED IN CASH INSTRUMENTS SUCH AS MONEY MARKET FUNDS, SHORT-TERM US TREASURY BILLS OR CERTIFICATES OF DEPOSIT. THE REMAINING FUNDS MAY BE INVESTED IN A BALANCED FORMULA IN STOCK, BONDS AND OR REAL ESTATE MUTUAL FUNDS, DEPENDING ON THE ADVICE OF THE ORGANIZATION'S INDEPENDENT INVESTMENT ADVISOR/MANAGER (IIA).
4. THE ASSOCIATION WILL BUILD IN A CONTRIBUTION TO RESERVES ANNUALLY AS PART OF THE EXPENSE BUDGET. OUR GOAL WILL RANGE BETWEEN 2-5% OF TOTAL YEARLY REVENUE; HOWEVER IN DIFFICULT FINANCIAL TIMES, THE REQUIREMENT FOR A

CONTRIBUTION TO RESERVED WILL BE WAIVED, AND THE ASSOCIATION WILL INFUSE RESERVE ALLOTMENTS AS NEEDED TO ASSIST IN BALANCING THE AGREED UPON YEARLY OPERATING BUDGET.

5. AN INDEPENDENT INVESTMENT ADVISOR WILL BE APPOINTED TO MANAGE THE INVESTMENTS AND RESERVES OF THE ASSOCIATION. THE BUDGET AND FINANCE COMMITTEE, TREASURER AND OR BOARD WILL APPROVE THE INVESTMENT STRATEGY SUGGESTED BY THE IIA, AND THE IIA WILL MAKE A BOARD PRESENTATION AT LEAST ONCE PER YEAR OUTLINING THE INVESTMENT STRATEGY SUGGESTION FOR THE NEXT FY OR PERIOD. THE IIA WILL HAVE RESPONSIBILITY TO MANAGE AND INVEST FUNDS AS APPROPRIATE.

CHANGES TO THIS INVESTMENT POLICY SHALL BE PROPOSED BY THE BUDGET AND FINANCE COMMITTEE AND APPROVED BY THE BOARD OF DIRECTORS.

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