

Reserve Policy

To explain the importance of financial reserves and provide guidelines for maintaining adequate association reserves.

◆ **Section 1. Definition of Reserves**

Reserves are defined as the accumulated net surpluses of the Association, i.e., the unrestricted net assets as reported on the Statement of Financial Position. The primary purpose of the reserve is to ensure that the Association has adequate funds available in the event of an unanticipated catastrophic event or business situation that reduces reserves and threatens the financial viability of the Association. A secondary purpose of the reserve is to support special projects in the event a single or multiple strategic initiatives should surface outside of the annual budgeting process. This means that should a strategic initiative surface during the course of the year, a Board member may make a motion to the full Board of Directors to fund such an initiative. An initiative is defined as a chance for the Association to invest in an action that will benefit the ASSOCIATION X Membership or the Fire Service.

◆ **Section 2. Funding Requirements**

The Association shall have a goal of maintaining reserves of no less than fifty percent (50%) of annual budgeted expenses. In the event the goal of 50% of annual operating expenses is not achieved and reserves are less than 45% of average annual operating expenses, the Treasurer shall notify the Board of a variance. Where reserves are below 40%, the ASSOCIATION X Board may direct the Executive Director to put a cap on any new-project funding or special initiative funding through the reserves. Also, this occurrence would trigger a process through which the Finance Committee would convene to recommend necessary and sufficient corrective actions to pursue a recovery plan by 1) using the next-year's budget surplus sufficient to rebuild the reserves' floor to a minimum of 40% of annually budgeted expenses, or 2) using a two-year budget cycle to rebuild the reserves' floor to a minimum of 40% of annually budgeted expenses. In either case, the recommendations shall be presented to the Board for immediate action.