

SAMPLE CHAPTER RESERVE POLICY

The chapter will maintain a minimum target reserve balance of ____% of the annual chapter budgeted revenue, including grants, which will be based on book value, not market value. (NOTE: Research conducted with a variety of associations indicates the average is 50% of annual budgeted revenue.)

Reserve funds shall not exceed \$_____ or _____% of the annual budget.

The chapter will make annual contributions to the reserve of ____% of membership revenue.

Reserves will be invested according to the chapter's approved investment policy.

The *(title of officer)* shall serve as the liaison between the board of directors and the investment firm(s).

Chapter reserves may only be used upon a two-third vote of the board of directors.

This reserve policy will be evaluated *(specify annually, every two years, etc)*.

IMPORTANT INFORMATION TO CONSIDER WHEN FORMULATING YOUR RESERVE POLICY:

- What is the percentage of the chapter annual budget that would be required to fund annual operations if the chapter's largest source of revenue was not realized?
- What is the maximum that should be allowed to accrue in reserve funds? IRS does not specify a maximum that nonprofits may hold in reserve...but excessive reserve funds may be called into question since IRS maintains that nonprofits should be using their funds to further their missions (except in the case of accumulations for specific capital projects).
- Will interest on invested "reserve" funds remain in the fund or be used to fund chapter programs and strategic priorities? Or, if a specific percentage of interest will be used for chapter priorities and the balance left in the fund, the "split" should be clarified in the reserve policy.
- Should the chapter maintain both "operating" and "long-term" reserve funds?

To review the Association's Reserve Policy, visit the link below in the Member Gateway:

<http://www.afpnet.org/files/ContentDocuments/BoardReservePolicy.pdf>