

PURPOSE

The purpose of the Reserves Policy for AIA Louisiana, The Louisiana Association of Architects is to ensure the purpose of AIA Louisiana, The Louisiana Architects Association according to its Articles of Incorporation and to further ensure the future stability of the mission, programs, employment, and ongoing operations of the organization and to provide a source of internal funds for organizational priorities such as building repair and improvement, program opportunity and capacity building.

The Reserves Policy will be implemented in concert with the Articles of Incorporation and the other governance and financial policies of AIA Louisiana, The Louisiana Architects Association and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS**Operating Reserve**

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated funding, or uninsured losses. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of AIA Louisiana, The Louisiana Architects Association for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measured for a set period of time measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes.

The target minimum Operating Reserve Fund is equal to six (6) months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expense also excludes one time, unusual or capital purchases. The amount of the Operating Reserve Fund target minimum will be calculated each year after approval of the annual budget, reported to the Executive Committee and included in regular financial reports.

Building and Capital Asset Reserve

The Building and Capital Asset Reserve is intended to provide a ready source of funds for repair or acquisition of buildings, leaseholds, furniture, fixtures, and equipment necessary for the effective operation of the organization and programs. It is the intention of AIA Louisiana, The Louisiana Architects Association for the Building and Capital Asset Reserve to be replenished within a reasonably short period of time.

The Building and Capital Asset Reserve shall have a minimum balance of \$40,000 prior to the addition of any certificate of deposit balance that would also be included. The target amount of the Building and Capital Asset Reserve will be determined by the Board of Directors as per the bylaws.

Opportunity Reserve

The Opportunity Reserve is intended to provide funds to meet special targets of opportunity or need that further the mission of the organization which may or may not have specific expectation of incremental or long-term increased income. The Opportunity Reserve is also intended as a source of internal funds for capacity building such as staff development, research and development, or investment in infrastructure that will build long term capacity.

The target amount of the Opportunity Reserve will be determined by the Board of Directors as per the bylaws. Replenishment of the Opportunity Reserve shall be determined by the Board of Directors.

ACCOUNTING FOR RESERVES

The Reserve Funds will be recorded in the financial records as the Building Asset Reserve, Operating Reserve and Opportunity Reserve. The Reserves will be funded and available in cash or cash equivalent funds. Reserves will be maintained in a segregated bank account, certificates of deposit or investment fund, in accordance with investment policies.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples could include one-time gifts or bequests, special grants, assessments, or special appeals.

The Building and Capital Assets Reserve will be funded with occasional special designations made by the Board of Directors.

The Opportunity Reserve Fund will be funded with occasional special designations made by the Board of Directors.

USE OF RESERVES

Use of reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The Executive Director and staff will identify the need for use of Reserve Funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. The step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period the funds will be needed and replenished.

2. Authority to use reserves

The Board of Directors is responsible for determining the use of reserves in an emergency situation. The Board will also determine if these reserves should be replenished and plans for the replenishment, if required.

3. Reporting and monitoring

The Executive Director is responsible for assuring the Reserve Funds are maintained and used only as described in this Policy. Upon approval for the use of the Reserve Funds, the Executive Director will maintain records of the use of funds and plan for the replenishment, if required. The Executive Director and staff will provide regular reports to the Executive Committee, or sooner, if warranted by internal or external events or changes. Changes to the policy will be recommended by the Board of Directors.