

FOOD INDUSTRY ASSOCIATION EXECUTIVES RESERVES POLICY AND OBJECTIVES STATEMENT

PURPOSE

The purpose of the Reserves Policy for the Food Industry Association Executives (FIAE) is to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The association's reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Reserves are not intended to eliminate an ongoing budget gap over a long-term period. It is the intention of the FIAE Board for the association's reserves to be used and replenished within a reasonably short period of time. The Reserves Policy will be implemented in concert with the other governance and financial policies of FIAE and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

DEFINITIONS AND GOALS

Reserves are defined as association assets set aside by action of the Board of Directors. The minimum amount to be designated as reserves will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. Reserve monies serve a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum reserves for FIAE is equal to 24 months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as management services, office, travel, programs, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses may also exclude some expenses including pass-through programs, one-time expenses and capital purchases.

The target amount of FIAE's reserve accounts will be calculated periodically after approval of the annual budget, reported to the Executive Committee/Board of Directors, and included in the association's regular financial reports.

ACCOUNTING FOR RESERVES

The association's reserve accounts will be recorded and reported in the financial reports of the association. Reserves may be held in cash, cash equivalent funds, stocks bonds or other investment instruments. Reserves will be maintained in a segregated bank account or investment fund, in accordance with investment policies.

FUNDING OF RESERVES

The association's Reserve accounts will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be added to the association's reserve accounts. Examples may include one-time gifts or bequests, special grants, or excess revenue from special projects.

USE OF RESERVES

Use of the association's reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The Executive Director and staff will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This 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 that the funds will be required and replenished.

2. Authority to use operating reserves

The Executive Director will submit a request to use reserves to the Executive Committee. The request will include the analysis and determination of the use of funds and plans for replenishment if use of the reserves will take the balance below the minimum levels recommended in this Policy. The organization's goal is to replenish the funds used within twelve months to restore the reserve accounts to the target minimum amount. If the use of reserves will drop the balance below the minimum levels recommended in this Policy and take longer than 12 months to replenish, the request will be scrutinized more carefully. After consideration by the Executive Committee the request will be presented to the Board of Directors and the Board will approve or modify the request and authorize transfer from the reserve account.

3. Reporting and monitoring.

The Executive Director is responsible for ensuring that the association's reserve accounts are maintained and used only as described in this Policy. Upon approval for the use of reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment, if required. The Executive Director will provide regular reports to the Executive Committee of progress to restore the Fund to the target minimum amount.

REVIEW OF POLICY

This Policy will be reviewed every other year, at minimum, by the Executive Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Executive Committee to the Board of Directors.

FIAE Board approval: September 27, 2017