



## Reserve Fund Management Guidelines

*Issued January 2024*

### Summary:

1. The Chapter maintains a Reserve Fund as outlined in Article V, Section 2 of the MPI Chapter Policy Manual Addendum section.
2. The terms of the Reserve Fund are defined as funds set aside for emergency cases in which unpredictable events could substantially impact a Chapter's operations or revenue streams.
3. The Reserve Target is set at a minimum of 25% of annual fixed expenses, excluding event-related expenses, to ensure the Chapter's operational stability.
4. Access to reserves is subject to approval by the Vice President of Finance, with final approval requiring a majority vote of the Board of Directors which is officially documented using the Chapter Reserve Fund Board Resolution template (template is provided in the [CLRP > Office of the President > Governance > Reserve Fund Resolution Template](#)).
5. Per Article VI, Section 3.2 of the MPI Chapter Policy Manual, Chapters should maintain a minimum of 25% of their annual fixed expenses in their Reserve Fund. MPI recommends all Chapters maintain at least 75-100% of their annual fixed expenses before moving money into an investment account. It is up to the discretion of the Chapter Board of Directors to determine when to move additional money into or out of an investment account.

### Clarification Statements:

#### Definitions of Accounts

1. *Annual Budget*: money used to fund the annual operation of the Chapter. The Annual Budget is prepared by the Audit and Finance Committee who recommend the budget to the Board of Directors for review and approval.
2. *Investment Account*: money invested in an interest-bearing account that can fund special projects or programs to support the Chapter's continued growth. The Vice President of Finance should review investment options and present the best option to the Board. A majority vote is needed by the Board of Directors. All intended uses, discussion and final outcome should be recorded in meeting minutes.
3. *Reserve Funds*: money saved in a separate account which adheres to the MPI Chapter Policy Manual Article VI, Section 3. Should the Board of Directors determine funds are needed from this account in the event of an emergency they will use a formal Board Reserve Fund Resolution vote to document the details of the use. It is recommended that the Chapters review the Reserve Fund annually to determine if additional funds are needed or if the balance exceeds the recommended amount. The Chapters should then determine if excess funds should remain in the Reserve Fund, be moved to an Investment Account, or fund a reinvestment in the Chapter.

These budgets/funds, translated into real life situations should be thought of as;

Business	Personal	Use
Annual Budget	Checking account/ATM card	This is the money we use freely to live/operate each day
Investment Account	Savings account/investment	Money we stash away to pay for a project or vacation
Reserve Fund	Retirement Fund	Harder to access this money and documentation is needed to withdraw

### When should the Board of Directors move money to an investment fund/project budget?

**Example #1:** Chapter's annual fixed expenses are \$50,000.00 and your current reserve fund is \$12,500.00 you are meeting the fixed annual expenses minimum of 25%. *You do not have additional funds to transfer into an Investment account and should continue to plan to add revenue to your Reserve Fund each year.*

**Example #2:** Chapter's annual fixed expenses are \$50,000.00 and your current reserve fund is \$42,500.00 you are above the minimum of 25% with 85% of fixed annual expense covered. *How much risk do you want future Board members to handle? Do you have a Chapter Policy indicating the percentage of Reserve Funds should be maintained?*

**Example #3:** Chapter's annual fixed expenses are \$50,000.00 and your current reserve fund is \$120,000.00 you are maintaining more than two years of worth of fixed annual expenses. *The Board members can determine the amount above \$12,500.00 or \$100,000 to move into an investment account using the Chapter Reserve Fund Board Resolution template. Do refer to your Chapter Policy Manual to determine if a Reserve Fund Policy states the percentage that must be maintained.*

\*annual fixed expenses should include Chapter operational costs only (Chapter Administrator, annual retreats, telecommunication, bank fees, rent, etc.) and should not include event-related expenses (speaker fees/travel/accommodation, audio-visual, food and beverage, decor, etc.).

### Chapter Reserve Fund Board Resolution Description:

Template is provided in the [CLRP > Office of the President > Governance > Reserve Fund Resolution Template](#)

#### 1. Purpose of Movement

The Board acknowledges the need to authorize the movement of funds from the reserve account for specific purposes deemed necessary for the operational stability of the Chapter.

#### 2. Authorization for Movement

The Vice President of Finance is authorized to consider and propose the movement of funds from the reserve account to either an operating account or an investment account, as deemed appropriate. The Vice President of Finance shall present a written, detailed proposal outlining the purpose and amount of the fund transfer to the Board of Directors for review (via a Board resolution using the provided template).

### 3. Approval Process

1. The Vice President of Finance shall initiate the consideration of the movement of funds from the reserve account by making a motion to approve the resolution.
2. A written, detailed resolution shall be presented to the Board of Directors, specifying the purpose and amount of the fund transfer. If the resolution is not distributed prior to the meeting in which it is considered, the presiding officer shall read the resolution aloud after the motion to consider it is made and seconded.
3. The Board of Directors shall consider and vote on the resolution. Final approval shall require a majority vote.

### 4. Consideration Criteria

The Vice President of Finance, in considering the movement of funds, shall assess the urgency and/or necessity of the proposed transfer, ensuring alignment with the Chapter's financial stability and the guidelines outlined in Article V, Section 2 of the Chapter's Policy Manual.

### 5. Record Keeping

All movements of funds from the reserve account shall be documented and recorded appropriately in the Chapter's financial records. A summary report shall be provided to the Board of Directors for transparency.

### 6. Effective Date

The resolution shall take effect immediately upon approval by the majority of the Board of Directors.