



MATERIALS RESEARCH SOCIETY

Advancing materials. Improving the quality of life.

3.3.3.6 Reserve Funds Policy

Purpose: This policy sets forth the suggested level of Reserve Funds needed to ensure the business continuity of the Society.

Applies to: Volunteers, Members, Staff

1. Purpose

It is important for the Materials Research Society (MRS) to maintain a sufficient level of Reserve Funds to ensure continuity of business operations during times of financial stress. As such, an appropriate level of Unrestricted Reserve Funds should be maintained to provide safety and flexibility for MRS.

The purpose of the Reserve Funds Policy is to set forth the suggested level of Reserve Funds as determined by the MRS Board of Directors to ensure the stability of the mission, programs, employment, and ongoing operations of the organization; and to provide a source of internal funds for certain organizational priorities (i.e. infrastructure enhancements and program opportunities.)

2. Goal and Definitions

MRS shall maintain a minimum Reserve Funds level greater than or equal to the 3-year-rolling average of "net" from the larger of either the Fall or Spring meetings.

Reserve Funds of MRS shall be defined as *monies from unobligated operating cash and cash equivalent accounts plus unrestricted funds from the MRS Investment Portfolio.*

3. Responsibilities

The MRS Finance Committee shall be responsible for reviewing the level of reserve funds of MRS during preparation of the annual Financial Plan (i.e., budget) and may make recommendations to the Board of Directors for actions necessary to maintain the suggested level of Reserve Funds. In the case of an unforeseen revenue shortfall or unanticipated expense, the Finance Committee shall provide the Board with a recommendation as to whether funds should be withdrawn from the investment portfolio, money borrowed from the MRS line of credit, reduced expenditures, or a combination of the above.

The Director of Finance and Administration shall monitor the overall level of MRS Reserves, providing annual reports at a minimum to the Executive Director, Treasurer, and the Finance Committee.

The Executive Director, Director of Finance and Administration, and Treasurer, in conjunction with the Finance Committee, will identify the need to access reserve funds and confirm that the use is consistent with the purpose of the reserves as described above. An analysis will be prepared explaining the reason for the need, the availability of any other sources of funds before using reserves (i.e. line of credit), and the evaluation of the time period that the funds will be needed and replenished. A request will then be submitted for board authorization.

Any changes to the reserve fund policy shall require Board approval. The Finance Committee, with input from the Treasurer, Executive Director and the Director of Finance, shall recommend such changes to

the Board.

4. Sample Calculation

The **MRS Reserve Fund minimum** level shall be calculated as follows: *MRS Reserve Funds level =*

the largest of the 3-year rolling averages of "net" from the Spring or Fall Meeting + any amounts specifically designated by the Finance Committee for future MRS capital and/or program investments. For example as of 12/31/14 (unaudited.)

*Largest of the 3 year rolling averages of the "net" from the Spring or Fall Meetings = \$2.444 mil + any amount specifically designated for future investment (i.e. IT svgs) = **\$3,047 mil***

The components of the **MRS Reserve Funds** (@12/31/14 per financial statements) are as follows:

MRS Reserve Funds = Unobligated cash¹ (defined as current obligations less deferred revenue) + unrestricted investments¹

Unobligated cash = \$2.4 mill cash less \$1.4 mill liabilities = \$1.0 mill

Unrestricted investments = \$7.2 mill less \$0.5k (permanently restricted net assets) = \$6.7 mill

MRS Reserve Funds = \$7.7 mill

In practice, these equations will be used by Director of Finance/Finance Committee annually to determine the amount of unrestricted funds that are available to meet the MRS Reserve Funds level.

Deliverables: N/A; Review every three years or as needed

Who: Secretary/GovCom

When: At least 8 weeks before the Board meeting at which amendments should be considered.

To: President

Policy first adopted: November 17, 2010

Last modified: December 4, 2015

Last reviewed: Dec 2015

Enacting Legislation: B:2010:45; B:2012:33; B:2015:37 (Consent Agenda)

Policy created by: Beth Stadler, MRS Secretary Party responsible for this policy: Finance Committee