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**RESERVE POLICY**

Every association should have financial reserves in case of an economic downturn, budgeted loss, or unexpected decrease in net assets. This usually takes the form of a cash savings account or internal line of credit. Your association needs to have sufficient reserves to insulate you from an unexpected financial setback, but you don’t want to have too much money in reserve--nonprofits aren’t banks, and it will be hard to justify collecting member dues just to hoard them away in a savings account.

You need to have a clear, board-approved reserve policy dictating:

* How much money your association holds in reserve
  + Is it a set amount or a percentage of your total assets?
* When your reserves can be used
  + When income is down?
  + When expenses are high?
  + To fund special projects?
* Where is the money coming from?
  + Does your reserve come out of association income?
  + Are you borrowing money? If so, do you have a structured repayment plan?
* Who oversees your reserves?
  + This should not be entrusted to one person; it should be a group, like your financial or executive committee

If you do have to dip into your reserves, how will you replenish them?