

AIA Denver Reserve Policy

September 2, 2003

Section 1: Overview/Purpose

AIA Denver is a nonprofit professional membership organization classified under Internal Revenue Code 501 (c) (6). Articles of Incorporation were filed with the State of Colorado on November 28, 1969.

The objectives of this chapter are to promote the objectives of the American Institute of Architects within the territory of this chapter (whose objectives are to organize and unite in fellowship the members of the architectural profession; to promote the aesthetic, scientific and practical efficiency of the profession; to advance the science and art of planning by advancing the standards of architectural education, training and practice; to coordinate the building industry and the profession of architecture to insure the advancement of the living standards of people through their improved environment; and to make the profession an ever-increasing service to society).

AIA Denver derives its revenue from a variety of sources including: chapter grants, sponsorship income, member assessments, publication sales, convention and professional development programs, and miscellaneous revenue. Expenses are related to: the development and delivery of products and services benefiting the members, including consulting services, supplies and equipment. Through the development of long range financial goals and focused effort, revenues have exceeded expenses and a reserve fund has grown.

Section 2: Reserve Fund

The reserve fund consists of annual surplus revenues. It is the policy of AIA Denver to maintain a reserve fund of money over and above that necessary for day to day operations. This fund serves give main purposes:

- (1) to cover special initiatives or unanticipated expenses;
- (2) to save for large capital purchases;
- (3) to provide cash flow for operations in the event of a temporary interruption of income;
- (4) to provide a buffer allowing time to adjust operating expenses in the event of an unanticipated long-term reduction of income;
- (5) to provide for long term financial stability of AIA Denver.

The reserve fund consists of:

- (1) **Undesignated Funds**

These funds include the operating reserve and general savings fund. These funds can be used for capital purchases, special initiatives or unanticipated expenses.

The Board of Directors has determined that this allocation of funds is appropriate for AIA Denver and that the money in these funds be invested according to the Investment Composition Guidelines identified in Section 4.

On an annual basis, the Executive Director will advise the Treasurer and Board of Directors on the allocation of funds within the Undesignated Reserve Fund, based on current and projected needs.

The Board of Directors recommends that AIA Denver should maintain a minimum of 100% of the yearly operating expenses in the reserve fund, and must maintain a minimum of 75% of the yearly operating expenses in the fund. The reserve fund goal will be adjusted annually.

Section 3: Investment Objectives

The objective of investing the reserve funds is to increase the value of the funds in order to protect the spending power of the funds against inflation and to serve as a source of money to achieve the financial goals of AIA Denver. The primary investment objectives of the reserve funds are as follows:

- (1) Safety. It is essential that investments be of such quality that principal impairment is minimized, since funds must be available for emergencies.
- (2) Yield. It is important to maximize total return over a full market cycle, subject to prudent levels of risk.
- (3) Liquidity. While it is expected that the utilization of the principal will be low, some maturities should be scheduled each year as additional assurance that emergencies can be met.

Section 4: Investment Composition

Based on investment objectives and cash flow needs, the reserve funds may be invested as follows:

- (1) Money Market Account. A range of between 20-30% of the reserve funds should be deposited in a money market account.
- (2) Certificates of Deposit. A range of 35-45% of the reserve funds should be deposited in Certificates of Deposit with a varying maturity schedule in order to ensure liquidity.
- (3) Mutual Funds. A range of 30-40% of the reserve funds should be deposited in mutual funds.

An Investment Advisor should advise the staff and the Board of Directors regularly on a distribution of funds and other financial planning needs.

Section 5: Responsibility/Authority

Responsibility for oversight of the reserve funds will be placed with the Executive Director of AIA Denver, Treasurer, Executive Committee and Board of Directors as follows:

- (1) **Executive Director**
Responsibility for investment decisions will rest with the Executive Director within the approved investment guidelines. The Executive Director, with the approval of the Board of Directors, may secure the services of a professional Investment Advisor to assist in the placement of the investments. The Executive Director in consultation with the Treasurer and Executive Committee will make recommendations to the Board of Directors regarding use of the reserve funds.
- (2) **Treasurer**
The Treasurer will review the investment policy each year prior to the adoption of the budget and recommend any changes to the Board of Directors. The Treasurer in consultation with the Executive Director and Executive Committee will make recommendations to the Board of Directors regarding use of the reserve funds.
- (3) **Executive Committee**
The Executive Committee will review the investment policy and monitor investment decisions to ensure that they fulfill the investment objectives. The Executive Committee in consultation with the Executive Director and Treasurer will make recommendations to the Board of Directors regarding use of the reserve funds.
- (4) **Board of Directors**
The Board of Directors will review and approve all investment guidelines for AIA Denver. The Board of Directors, upon the recommendation of the Treasurer and Executive Committee will decide on the use of the reserve funds.

Section 6: Reporting/Evaluation

Reserve Fund investment reports will be prepared and presented to the Executive Committee quarterly. The Investment Advisor should meet with the Board of Directors annually (or more often if necessary) to discuss performance, portfolio content, transactions, investment strategy and proposed changes to the investment objectives and guidelines.

The Executive Director, Treasurer and Executive Committee will evaluate the quarterly reports and make recommendations as often as necessary to preserve the investment objectives of AIA Denver.

Section 7: Surplus Distribution

A minimum of \$5,000 per year should be budgeted for investment into the reserve account. At the end of each year, should AIA Denver have a net income after placing the budgeted amount in reserves, it is suggested that the additional surplus be placed in reserves as well.