



Operating Reserve Policy

Background

The IAA considers it essential to maintain an Operating Reserve to mitigate financial risk to the organization arising from unforeseen events.

During the 2020 audit, the auditors formally recommended that the IAA create such a policy.

Benchmarking was done with the largest Full Member Associations (FMAs) in order to assess the level of reserves that they are using and a range of between 75 percent and 100 percent of annual expenses was identified as a general best practice.

The topic has been discussed by the Strategic Planning Committee where there was large support for this principal.

A note on Sections:

While the IAA, as an umbrella organization, includes both Full Member Associations as well as Sections, it is important to recognize that IAA Sections are financed via individual contributions and not FMA institutional fees. The assets accumulated by IAA Sections over the years are designated solely to Section operations and as such, they are not included for the purpose of the IAA reserve ratio calculations.

Policy

The IAA Council has set as a target an operating reserve (the unrestricted net assets excluding net assets of the Sections) of between 75 percent and 100 percent of the anticipated expenses for the coming year.

The Audit and Finance Committee shall evaluate the reserve ratio annually as part of its budget review responsibility.

The Audit and Finance Committee shall also recommend mechanisms to meet and maintain this reserve ratio goal in its budget recommendations to the Executive Committee.

The Chair of the Audit and Finance Committee will report the status of the Operating Reserve to the Council as part of the regular Audit and Finance report.