

Board of Governors Policy

POLICY 1

Reserve Finance Policy

NECA shall establish and maintain a financial reserve for the purpose of responding to unpredictable problems and financial crises (Reserve Fund). Reserves are an important mechanism to ensure the Association's financial health and stability, and to mitigate financial risks.

It shall be a goal to maintain the Reserve Fund at a balance greater than six months' operating expenses and less than two years operating expenses. For the purpose of these calculations, operating expenses should be averaged over a five-year period.

Upon prior approval of the Executive Committee, the Reserve Fund may be used for:

- Operating needs in times of crisis, marked recessionary times, and as protection against significant unexpected revenue declines.
- Unforeseen legal costs or settlements.

All other withdrawals, and any withdrawals (for reasons listed above) which exceed 5% of the value of the Reserve Fund at the prior fiscal year end, require prior authorization by the Board of Governors.

The Reserve Fund shall be managed by recognized professional investment managers in a formal, diversified plan approved by the Executive Committee and may be invested in traditional vehicles such as stocks, bonds, and cash.

This Policy will be reviewed annually by the Executive Committee, or sooner if warranted by internal or external events or changes. Proposed changes to the Policy will be submitted to the Board of Governors.

(Adopted Oct. 16, 2004)

(Revised Sept. 28, 2024)