

State Bar of Wisconsin Reserve Policy

Introduction

This reserve policy is adopted by the Board of Governors to serve as a framework within which the Association will determine the purpose, level and restrictions on reserves of the Association. The policy operates in conjunction with Debt and Investment policies to meet the overall needs of the organization.

Objective

The State Bar of Wisconsin recognizes the value of accumulating and maintaining sufficient reserves as a means of ensuring adequate funding for particular needs and obligations of the organization including:

- Sustain the organization through an unexpected financial crisis.
- Purchase facilities and equipment that assist staff and volunteers to better meet the mission of the organization.
- Provide start-up funds for new programs and business opportunities.
- Meet specific non-debt, long-term obligations of the organization

Adequate reserves will minimize the impact of these events on future dues amounts and ensure that the assets used to generate today's products and services are replaced by those members that are receiving those benefits today.

Calculations and Assumptions

For purposes of this policy, reserves are assets less liabilities less the net book value of real estate and fixed assets.

Reserves for the Bar

The Bar will maintain five separate reserve funds, each of which has a specific purpose, calculated level of need and restrictions of use. The reserve funds are:

Building & Equipment Reserve

Purpose: To provide funds for anticipated and unanticipated real estate and fixed asset purchases.

Restriction of use: The Finance Committee is authorized to release funds from the Furniture & Equipment Reserve for each budget cycle that anticipates fixed asset purchases in excess of budgeted depreciation expense.

Level: The Furniture & Equipment Reserve will be equal to an amount deemed sufficient by the Finance Committee to fund equipment needs over the upcoming 5 years within these guidelines:

- Ongoing equipment replacements will be scheduled at regular intervals to minimize the impact on cash flow while preserving the organization's need for updated technology and physical plant.
- Equipment needs specific to new product development and delivery will be included in those specific proposals rather than as part of the larger organizational replacement and upgrade schedule.
- Administration will be responsible for maintaining a 20-year fixed asset replacement schedule that will be reviewed by the Finance Committee at least once every five years.

Operations Reserve (Rainy Day Fund)

Purpose: To provide operating funds to sustain the organization through an unexpected financial crisis.

Restriction of use: The Executive Director will advise the Board of Governors of significant events affecting the organization that require use of the funds. The Board of Governors, by super majority, may release funds from the Operations Contingency Reserve. The Executive Committee may recommend the release of funds by the Board of Governors when necessary but may not act in place of the Board.

Level: The Operations Contingency Reserve level should be sufficient to fund a total of six months of service to members and three months of production expenses.

- The functions of the Bar will be split into two distinct groups. Service to Members and Products
- **Service to members.**
 - These are functions that are considered essential to the mission of the Bar and would be continued long-term, even in the event of economic or political adversity.
 - The attached policy assumes that 6 months is a reasonable recovery and adjustment period. This timeframe is set to allow senior management and volunteers to determine which programs and services are essential to the continued operations of the organization, assess the factors that necessitate the use of reserve funds and make plans to operate within new parameters of the organization and its environment.
- **Products of the Bar.**
 - These are functions of the Bar that are most likely be discontinued in the event that revenues were no longer sufficient to absorb the resources necessary for production.
 - The timeframe allows members and senior management to determine those products essential to the continued operations of the organization, assess the factors that necessitate the use of reserve funds and to either generate sufficient revenues or discontinue the product line

Opportunity Reserve

Purpose: To provide funds to take advantage of emergent opportunities in products and services.

Restriction of use: The Executive Committee will make recommendations to the Board of Governors for release of funds from the Opportunity Reserve. Approval requires a simple majority of the Board of Governors. Projects deemed confidential in nature will be discussed in closed session.

Level: The Opportunity Reserve will have a minimum balance of \$100,000 plus additional funds as recommended by the Executive Committee on an annual basis.

Section Carry Forward Reserve

Purpose: To ensure availability of excess funds accumulated by individual sections.

Restriction of use: The release of funds is determined by the cash-flow needs of each individual section up to its individual carry forward.

Level: The reserve will be equal to the balance reported on the most recent audited financial statements.

Consumer Protection Reserve

Purpose: To be used for education of consumers to protect them from fraudulent vendors.

Restriction of use: The release of funds is controlled by the Consumer Information and Protection Committee of the State Bar of Wisconsin.

Level: This is an existing reserve resulting from a court settlement against an individual that defrauded consumers in the State. The reserve will exist until depleted.

Review of Policy

This policy is to be reviewed by the Board of Governors at least once every five years. The Board must approve any changes in the policy. This policy supersedes all previous reserve designations and policies of the organization.