

Rotary Club of Space Center

April 20, 2010

Subject: Club reserve funds: Procedures for distribution

Members of the Committee: Bill Lowes, Marilyn Musial, David Coney, John Wilson

The club's annual operational budget is approximately \$95,000. Conceptually it has been the practice to maintain a reserve balance of that amount to compensate the club budget in the event of an unforeseen need, such as failure of a fund-raising event such as Shrimporee, and provide available operational money in the transition from year-to-year until dues and fund-raising monies become available. In recent years this practice has become more critical because the president-elect, who is designated chairperson for the Shrimporee, is dependent on fund-raising events during that pre-presidential year to sufficiently fund the budget during which he/she is president.

A second problem has arisen. Because from year-to-year all available money has not been spent, a growing reserve beyond the \$95,000 has developed. It is now approximately \$34,000. Discussion was held about whether the money should be invested to increase the additional amount, or whether it should be spent in current year projects. While no vote was taken, the consensus seems to be that the approximate \$34,000 (and future additional reserve money) should be spent on current projects, and not be banked as a growth fund. Discussion was further held that the additional reserves should not be spent within one year, but rather spread over a five year period so as to allow for club presidents over that period of time the responsibility to designate recipients of that money. Thus beginning in the 2010-11 presidential terms, 20% (approximately \$6,800) from that excess reserve would be infused into current projects, and each president following would do likewise until the money is disseminated over a five year period of time. At the end of each fiscal year, the club board would need to review the reserve fund to ensure that the money has been distributed. Because additional surpluses may accumulate, the reserves at the end of each fiscal year must be calculated and the 20% (approximately \$6,800) of the excess funds be adjusted to ensure the appropriate expenditure of excess reserves. Another calculation should consider the appropriateness of the \$95,000 basic reserve level because of potential increase (or decrease) in the basic budget. In summary, the following principles are recommended to the Club Board:

- ❖ A basic reserve fund supporting one year's annual budget be maintained
- ❖ Current additional reserve funds be expended over a five-year period of time
- ❖ Subsequent accumulated reserves be spent by the next year president and club board
- ❖ An annual calculation performed at the end of each year be conducted to determine the amount of accumulated excess reserves to be spent
- ❖ An annual calculation performed at the end of each year be conducted to determine the appropriate amount of reserves necessary to support the basic club budget for the upcoming year