

FFLA

Spending and Reserve Policy December 13, 2019

Objective:

Development of a systemic approach for the establishment of reserves and resulting spending.

Purpose:

To provide greater economic stability to FFLA and instill a more consistent and predictable grants process. It will also provide greater transparency and more notice of expected grants allocations from FFLA allowing grantees more time for planning and budgeting.

Detail:

This policy operates through the establishment of a rolling average of FFLA funds available for allocation (grant allocation), as previously defined¹ and a dedicated percentage of such rolling average to annual grants with the remainder placed in reserves. In addition to grants reserves, special reserves are identified and capped. Once special reserves are capped, the percentage ratio between grants and reserves would be adjusted to allow for more monies to be directed to grants funding (and less for reserves).

Initially, there shall be:

1. Establishment of a three-year rolling average of FFLA funds available for allocation. This rolling average will be set each fiscal year on or before September 30, based upon the preceding three fiscal years' data;
2. Application of an 80% factor to the resulting average (application factor). This amount shall be the amount determined to be available for grants and awards in the following fiscal year (FY);

¹ See attachment A for definition/formulation of Grant Allocation.

3. 20% of the resulting average will be placed in reserves for grants and awards in future years and/or for Special Reserves.

NOTE:

- a. The first \$6 million in reserves shall be reserved for future grants.
- b. After grants reserves reach \$6 million, Grants reserves and Special Reserves shall be funded on a 50/50 basis until such time as Special Reserves reach a collective total of \$6 million².
- c. Special Reserves shall be:

✓ Disaster Relief Reserve ³	\$2,000,000
✓ FFLA Operating Reserve ⁴	\$2,000,000
✓ <u>New Building Reserve⁵</u>	<u>\$2,000,000</u>

Total: \$6,000,000

4. Once Special Reserves are funded at \$6 million collectively, the application factor shall be increased to 90%.
5. In the event Special Reserves amounts are increased by the Board or fall below the set levels above, the application factor will be decreased accordingly, and Special Reserves shall be funded until such time as Special Reserve amounts are achieved. Once achieved, the application factor will then be increased back to 90% for the following FY's grants and awards with the remaining 10% placed in reserves for future grants.

² This amount would be inclusive of the existing amounts already held in reserve. These amounts total \$1.45m as of December 1, 2019.

³ The balance in the current Disaster Relief fund as of December 1, 2019 is \$450,000.

⁴ Will equate to about a 7.5-month reserve based on FY 2019-20 budgeted expenses

⁵ Current Building Fund balance is \$1 million as of December 1, 2019. Any amount needed to buy a building in excess of the \$2 million reserve could be raised in a capital campaign.

6. The application factors and reserve amounts herein may be reviewed by the Board on an annual basis but shall remain in place unless and until specifically changed by Board action.
7. Notice of: 1) the three-year rolling average; 2) the application factor to be applied for FFLA's next FY; and 3) the amount determined to be available for grants and awards in the following fiscal year (FY) shall be posted on FFLA's website and made available upon request no later than October 1 of each calendar year.

Here is an example for Year 1:

Net Available	\$11,416,121 for FY 2019-20
3-year average	\$6,484,237
80% factor	\$5,187,390
Net IOTA Revenues	\$11,416,121
Amt for Grants allocation	<u>(\$ 5,187,390)</u>
Amt for Grants Reserves	\$ 6,228,731

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As approved in concept September 13, 2019.
Adopted by board December 13, 2019.
Rev. 2024 for FFLA name change.

Grant Allocation

We calculate our Total Foundation Funds Available for Allocation based on funds in hand from the prior fiscal year excluding restricted settlement funds:

Plus: Revenues (e.g. IOTA, contributions (*restricted and unrestricted*), investment, and other income)

Less: Expenses (Operating and Program Activities)

Equals: Net Operating Funds Available for Allocation

Plus: Other available funds (as needed, e.g. grant reserve, building reserve, Endowment earnings, loan proceeds)

Minus: Other Funding Needs (loan repayment, reserve funding)

Equals: Total Foundation Funds Available for Allocation