

**LITTLE PEOPLE OF AMERICA
RESERVE POLICY**

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I. INTRODUCTION AND MISSION

Little People of America (LPA) is a nonprofit organization that provides support and information to people of short stature and their families. The Board of Directors acknowledges and accepts the responsibility of ensuring LPA's long-term financial solvency. This Policy is consistent with – and guided by – LPA's Bylaws and Policy Manual.

As part of the broader mandate to ensure LPA's long-term financial viability, this Policy establishes reserve targets for LPA's unrestricted operation fund – or General Fund.

II. SCOPE

This policy applies only to LPA's unrestricted funds, and excludes restricted funds which may or may not have donor-directed or board-directed corpus minimums.

Unrestricted reserves can either be cash or investments (in conformance with LPA's Investment Policy), however we expect the bulk of the unrestricted assets to be cash given the day-to-day operational expenditures of this fund.

III. RESERVE OBJECTIVE AND TARGET

LPA's reserve target is intended to provide cushion for (in order of priority) long-term financial stability, monthly cash flow, contingency and investment return.

LPA shall maintain year-end unrestricted retained earnings of at least six (6) months of year-end expenditure. We recognize that unrestricted donations are uneven, and can result in "lumpy" cashflow. Therefore, this may result in unrestricted retained earnings in excess of our target which is expected and allowable. Our target is to be considered a minimum amount so we can provide for our objectives of stability, cash flow, contingency and investment return.

Adopted LPA budgets shall achieve the goal of adhering to this reserve policy.

IV. DELEGATION OF AUTHORITY AND DOCUMENTATION

LPA Bylaws (Section 5.c) state that the Finance Director shall "review and make recommendations to the Board of Directors on all investment decisions and strategies as defined by the Finance Committee." LPA's Policy Manual (Section VIII.6) also empowers the Finance Committee. Establishment of the reserve policy, therefore, is initiated and periodically reviewed by the Finance Committee.

LPA's bookkeeper will have primary responsibility for tracking, allocating and reporting monthly fund performance and providing monthly reports to the LPA Finance Director. Additionally, the bookkeeper is responsible for tracking, allocating and reporting investment earnings across LPA's various funds, in compliance with accounting principles and LPA's Investment Policy.

LPA's Finance Director is responsible for ensuring that adopted budgets are in compliance with the policy, and that actual performance is consistent with this policy. The Finance Director shall update the Finance Committee on financial performance and adherence to this policy on a quarterly basis, and then report to the Board of Directors.

LPA's Executive Director is responsible for documenting and updating all minimum requirements on the restricted funds, which fall outside of this policy.

DATE APPROVED BY LPA FINANCE COMMITTEE: 10/21/15
(Danh Trang, Jon North, Becky Roach, Tom Hershey)
DATE APPROVED BY LPA BOARD OF DIRECTORS: 1/31/16