



I have been asked to comment on the amount of the unrestricted reserves that Iowa Soccer has accumulated, the basis for the amount of reserves and the reasoning behind that amount.

I suggested and the board approved a goal for reserves of 25% (approximately 3 months) of operating revenues. Because the Association has generally operated at slightly above breakeven in most years, operating expenses can also be used as a benchmark.

The 25% is based on professional knowledge of nonprofits and Iowa Soccer in particular.

As of July 31, 2014, the latest fiscal year end, unrestricted net assets (reserves) totaled \$400,712 approximately 30% of both revenues and expenses for that fiscal year end.

Articles can easily be found that suggest 25-50% of operating expenses be accumulated to assure fiscal viability for a nonprofit organization. One can also find opinions that suggest reserves of up to 100% (or more) of operating expenses.

Virtually all opinions on reserve size will state that each organization needs to look at sources and timing of revenue to help determine reserve size. For example, an organization could rely on government grants that have to be applied for and approved each year for most of its funding. The grant source may have to wait on legislative action to determine what is available. Iowa Soccer does not depend on a single source or even a few sources for revenue. Instead, its membership is statewide and is made up of associations, clubs and individuals. This obviously is a much better position than having one funding source.

Another issue for associations and the board of directors is reserve usage. When can the reserve be reduced? Can specific requests be made outside of the operating budget? There are no right or wrong answers to these questions. However, these issues can make for good discussion topics.

I still would stand by a 25% reserve goal. I am comfortable with the 30% that is currently held in reserve. Just for reference, at current revenue/expense levels, the reserve grew about 2%, or \$57,119, over the last two years. A decrease in net assets of the same size over the next two year cycle would leave reserves at 25%.

Rod Olson
Finance Chair
Iowa Soccer Association