



**Policy Name:** Operating Reserve

**Date Approved:** January 14, 2021

**Next Review Date:** January 2024

### **Purpose**

The purpose of the Operating Reserve policy for the Northern Ontario Curling Association (NOCA) is to ensure the stability of the mission, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or delay in grant payments or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of NOCA for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with the other governance and financial policies of NOCA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

### **Definitions and Goals**

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve will be reviewed annually and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to \$60,000 which is equal to approximately **3** months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and payroll deductions, occupancy, office, travel, program, and ongoing professional services. Competition and program expenses are not included in the calculation as they are self-funded by user fees.

The amount of the Operating Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Finance Committee/Board of Directors, and included in the regular financial reports.

### **Accounting for**

The Operating Reserve Fund will be recorded in the financial records as an asset titled Board Designated Operating Reserve (Line 1031). The Fund will be funded and available in cash or cash equivalent funds. (i.e. currently the fund is invested in a GIC).

### **Funding of Reserves**

The Operating Reserve Fund will be funded with surplus unrestricted operating funds. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

### **Use of the Operating Reserve Fund**

Use of the Operating Reserves requires three steps:

#### **1. Identification of appropriate use of reserve funds.**

The Finance Committee will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be required and replenished.

### **Authority to use operating reserves**

Use of the Operating Reserves must receive prior approval from the NOCA Board of Directors. The use of Operating Reserves will be reported to the NOCA Board of Directors at their next scheduled meeting, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Operating Reserve fund to the target minimum amount

#### **3. Reporting and monitoring.**

The Finance Chair is responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment. The Finance Chair will provide regular reports to the Board of Directors of progress to restore the fund to the target minimum amount.

**Review of Policy**

This Policy will be reviewed every three years by the Board of Directors, or sooner if warranted by internal or external events or changes.