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Reserve Fund Policy REV4 **JANUARY 2025**

The objective of this Reserve Fund Policy is to provide guidance for the management of the Reserve Fund held in account by the Sherwood Park Curling Club (SPCC) and to outline the responsibilities of Club Management and the Board of Directors.

Purpose of Reserve Fund

The purpose of the Sherwood Park Curling Club (SPCC) Reserve Fund is to facilitate fiscal prudence and financial stability of the Club, to enable the Club to carry out their long-term mission, goals, programs, and business operations. The Reserve Fund is intended to address expenditures that cannot otherwise be funded through annual operating revenue.

The Reserve Fund Policy describes the two defined uses of the Reserve Fund: 1) a contingency reserve, and 2) a capital reserve. The Policy also provides guidance for the Fund's recommended cash value, use and replenishment over a specified period of time.

The Reserve Fund Policy will be implemented in concert with all other governance and financial policies, and strategic documents of the SPCC. It is intended to support the goals and strategies contained in these related policies, as well as the strategic, capital, and operational plans that are in place.

Accountability for and Maintenance of the Reserve Fund

The Reserve Fund will be recorded in the financial records as 'SPCC Board-Designated Financial Reserve Fund'.

Annual plans for a) the use b) the management, and c) the replenishment of the Reserve Fund will be part of the '*Annual Budget package*' presented to the Board by the Treasurer. Management of the Reserve Fund will address the strategies required to maintain the funds at their minimum targeted values and will address the investment mix of GICs, cash, and other investments.

The Reserve Fund will be maintained in a segregated bank account or investment fund, in accordance with SPCC investment policies described in the Reserve Fund Management Plan and will not be commingled with the general cash and other revenue sources of the organization. Funds may be held in both short- and long-term investments.

The SPCC Board is responsible for ensuring that the Reserve Fund is maintained and used only as described in this Policy.

Defined Uses of the Reserve Fund

Contingency Reserve: shall be accessible to buffer the club against significant unanticipated operational expenditures that can't otherwise be funded through annual revenues. These expenditures could include unexpected increases in ice operational expenses, onetime unbudgeted staff expenses, etc. The Fund may also be accessed to offset any unanticipated loss in revenue or funding due to unforeseen circumstances, such as a pandemic/shutdown of GARC or uninsured losses. Finally, in cases where an annual deficit is experienced and there are not sufficient funds in the general account to cover the deficit, the Contingency Reserve would be used to fund the deficit.

However, the use of the Fund is not intended to permanently replace a loss of funds or eliminate ongoing budget gaps.

Capital Reserve: shall be accessible to fund strategic board-approved capital-intensive projects that cannot otherwise be funded through annual revenues. These projects generally, but not always, focus on the addition, replacement, or rehabilitation of major capital infrastructure. The plans for future capital replacement/rehabilitation and source of funds for the next 5 years and the plan for the purchase of new major capital assets and source of funds for the next 5 years will be outlined in the Capital Reserve Plan.

Capital projects will be budgeted items and must be approved by the SPCC Board of Directors. These purchases will include items relating to infrastructure, ice production and maintenance equipment, equipment required for the sport of curling including regular league play items (i.e., rocks) and training technology. Depreciation, in-kind, and other non-cash expenses may be included in the estimate. Plans for the replacement and new capital expenditures will be outlined in the Capital Reserve Plan.

Calculation of the Target Values within the Reserve Fund

Contingency Reserve Target Value

The Contingency Reserve is used to fund operational expenditures when significant unanticipated expenses beyond the control of the Club or unanticipated loss in revenue or funding due to unforeseen circumstances results in an annual deficit that cannot be covered by the float in the general bank account.

The amount set aside for the Contingency Reserve is based on 2 years of worst-case deficit scenario of \$75,000 per year for a total of \$150,000.

Capital Reserve Target Value

As noted above, the purpose of the Capital Reserve is to cover the costs of capital-intensive projects, primarily the maintenance and/or replacement of existing assets and acquisition of new assets, that cannot otherwise be funded through annual revenues.

The balance of the Capital Reserve will fluctuate from year to year owing to years when capital replenishment outpaces capital expenditures, or vice versa. This is not unexpected. The Capital Reserve requires prudent, active management to anticipate large expenditures in future years and build the reserve to the point that a future large expenditure can be undertaken without risking the club's ability to operate. When significant capital expenditures are foreseen in future years, targets will increase in prior years to build the reserve up enough to finance the expenditure.

The Capital Reserve Plan covers a ten-year window; this longer-term outlook is taken because of the large-scale cost impact that a future asset or project may have, and the resulting reduction that would have on the balance; the club needs to be building toward the required balance many years in advance. For that reason, a long view of capital funding needs and capital replenishment potential is considered when developing the Capital Reserve Plan.

When there is no large expenditure on the ten-year horizon, a balance of \$100K is to be targeted. Once the target is achieved, consideration may be given to alternate uses for the funds that would otherwise be needed to replenish the Capital Reserve including reductions in league fees.

The target value for the *Capital Reserve* will be forecasted in the Capital Reserve Plan which will be prepared by the Finance Committee and approved by the Board as part of the annual budget process.

Use of the Reserve Fund

The use of the Reserve Fund requires three steps – Identification, Authorization, Reporting and Monitoring.

Identification of Appropriate Use:

The SPCC Executive and SPCC Business manager will identify the need for access to the *Reserve Fund* and confirm that the use is consistent with the purpose of the Fund 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.

A Summary of the Capital Reserve Plan will be presented to the Board as a component of the Annual Budget Process as well as detailed Capital Expenditure Plans for the upcoming fiscal budget. The annual plan will be presented at each September Board meeting.

Authorization for Use:

Use of the Contingency Reserve requires an Executive recommendation and Board approval. Authority for any and all uses of SPCC Reserves for this purpose is delegated to the SPCC Executive, in consultation with the SPCC Business Manager.

Use of the Capital Reserve requires an Executive recommendation and Board approval as part of the Annual budget process. Authority for all uses of SPCC Reserves for this purpose is delegated to the SPCC Executive, in consultation with the SPCC Business Manager.

Reporting and Monitoring:

Upon approval for the use of the Reserve Fund, the Treasurer will maintain records of the use of funds and a plan for replenishment. The Treasurer will provide regular reports to the Executive and, at a minimum of 2

times per year, will report to the SPCC Board of Directors on the use of the Reserve Fund and on the progress to restore the Fund to the target minimum amount.

Funding and/or Replenishment of Reserves

The Reserve Fund will be funded with annual surplus unrestricted operating funds. It will also be funded through investments and by fundraising activities such as casinos and 50/50 sales, in accordance with all AGLC rules and regulations.

The organization's goal is to replenish and restore the Contingency Reserve used within twelve months to the target minimum amount. The Executive must receive prior approval from the Board of Directors if the Contingency Reserve will take longer than 12 months to replenish.

The Capital Reserve, in addition to surpluses and fundraising, may also be funded/replenished by project grants.

Review of Policy

This Policy shall align and be consistent with SPCC policies and rules. It will be reviewed every year, by the SPCC Finance Committee, or more often if warranted by internal or external events or changes. Changes to the Policy will be recommended by the SPCC Finance Committee to the SPCC Board of Directors.