



PO 3536
Sherwood Park, AB T8H 2T4
Phone 780-467-9412
www.sherwoodparkcurling.com

Reserve Fund Policy

(Approved April 8, 2021)

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

Purpose of SPCC Reserve Fund

The purpose of the *Reserve Fund* for the Sherwood Park Curling Club (SPCC) is to facilitate fiscal prudence and financial stability of the SPCC, to enable the Club to carry out the long term mission, goals, programs, and business operations of the organization. This Policy provides guidance for the management of the *Reserve Fund* for operating (short and long term) shortfalls and capital expenditures during normal annual operations, as well as for any unforeseen situations.

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 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.

Defined Uses of the Reserve Fund

Annual Operational Reserve: shall be accessible to fund normal operating requirements when there is a cash flow deficiency.

Emergency Operational Reserve: shall be accessible for operating expenditures to provide a buffer for significant unanticipated operational expenditures beyond the control of the Club. 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.

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 provide a buffer for significant unanticipated capital expenditures, for example, replace or rehabilitate major capital infrastructure. The plan for

future capital replacement and source of funds for the next 5 years will be outlined in Appendix A and the plan for the purchase of new major capital assets and source of funds for the next 5 years will be outlined in Appendix B.

Calculation of the Target Value of the Reserve Fund

The value of the Reserve Fund shall be determined by combining an estimate of the amount required for normal operating expenses for a given time period (as recommended by the Grant Thornton Institute) and an estimate of the projected cost of new equipment purchase and replacement of existing equipment no longer suitable for use.

The Annual Operational Reserve portion of the Reserve Fund should have sufficient funds to cover a deficiency in cash flow that may occur during the first few months of the fiscal year. The value should be based on the operating budget needed for the period between May 1 and August 31, to prepare for the start of the curling season and will be included in the Summary of the Capital Reserve Plan (Appendix A).

The amount of the Annual Operational Reserve Fund target estimate for each year will be forecasted in a Summary of the Capital Reserve Plan (Appendix A), reported to the Board of Directors and included in the regular financial reports.

The Emergency Operational Reserve portion of the Reserve Fund shall be based on the following recommendation.

The target amount of the Emergency Operational Reserve should be at least equal to three to six months of average operating costs within the fiscal year including the curling season of 7 months (September to March). The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy (lease), supplies, office, travel, program, and ongoing professional services.

The amount of the Emergency Operational Reserve Fund target estimate for each year must be part of the annual budget, reported to the Board of Directors and included in the regular financial reports.

The Capital Reserve portion of the Reserve Fund should be based on the yearly estimate of the Club's proposed capital purchases, whether they are new or replacement.

The capital purchases 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 two separate reports (Appendices B & C)

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

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' and annual plans for the Reserve Fund will be part of the '*Annual Budget package*' presented to the Board by the Treasurer.

As part of the SPCC's long term planning, a *Reserve Fund Management Plan* will be developed by the Finance Committee that will address the strategies required to maintain the fund at its targeted value.

The *Reserve Fund* will be maintained in a segregated bank account or investment fund, in accordance with SPCC investment policies 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 *Annual Operation, Emergency, Operational and Capital Reserve Funds* are maintained and used only as described in this Policy.

Use of the Reserve Fund

The use of the Reserve Funds 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 (Appendix A) 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 initial plan will be presented at the September 2021 Board meeting.

Authorization for Use:

Use of the *Annual Operational Reserve* for operating purposes will be available for short term shortfalls between revenue and expense balances, at the discretion of the Executive and the Business Manager.

Use of the *Emergency Operational Reserve* for long term budget shortfalls in the revenue/expense balance due to unforeseen circumstances, will require an Executive recommendation and Board approval. Authority for any and all use of SPCC Reserves for this purpose is delegated to the SPCC Executive, in consultation with the SPCC Business Manager.

Use of the *Capital Reserve* for capital purchases (budgeted or unanticipated) will require Executive recommendation and Board approval as part of the Annual budget process. Authority for any and all use 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 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 *Annual Operational Reserve Fund* is to be replaced as soon as the cash flow deficiency is resolved

The organization's goal is to replenish and restore the *Emergency Operational Reserve* used within twelve months to the target minimum amount. The Executive must receive prior approval from the Board of Directors if the *Emergency Operational Reserves* will take longer than 12 months to replenish. The Replenishment Plan (Appendix D) will be presented to the Board during the budgeting process.

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

Relationship to Other Policies and Documents

The SPCC shall maintain the following Board-approved policies, procedures and documents which **may** contain provisions that affect the creation, sufficiency, and management of the Reserve Funds.

- Strategic Business Plan (current)
- Business Plan (to be developed)
- Annual (Operating and Capital) Budget - approved annually by the Board
- SPCC Bylaws (current)
- Refund Policy (current)
- SPCC League Rules and Procedures (current)
- Roles and Responsibility of Board Officers (current)

Review of Policy

This Policy will be reviewed every year, by the SPCC Executive and Business Manager, or more often if warranted by internal or external events or changes. Changes to the Policy will be recommended by the SPCC Executive to the SPCC Board of Directors.

Appendices

Links to appropriate Appendices to be added after approval by SPCC Board in late 2021.

Approved: October 25, 2020
Amended and Approved : April 8, 2021