

Reserve Fund Policy Adopted 28/04/03 by Board of Directors Motion D-03-20

- 1. Definition of Reserve Funds**
 - a) For the purposes of this document, the total assets of the corporation, less the loss control fund balance, less the total current liabilities, shall be deemed to be available for designation as reserve funds.

- 2. Reserve Funds for Dissolution of the Corporation**
 - a) The CCLS shall maintain in reserve, funds for the winding down of the organizational structure in the event that the corporation is dissolved. The amount of these reserves shall be equivalent to one third of the general operating expense of the corporation including all salaries, office overhead items, directors and officers liability insurance, etc. as reflected in the current budget. The general operating expense of the corporation is deemed to not include budgeted project or committee expenses other than salary amounts allocated to projects and committees, or travel expenses.
 - b) These reserve funds may be depleted by an amount not to exceed one quarter of the level described above if so authorized by a two thirds majority vote of the Board of Directors and then only if a plan is put in place to replace those reserve funds within one year of the depletion.

- 3. Reserve Funds for Unanticipated Expenditures**
 - a) In addition, the CCLS shall maintain in reserve, funds for the unanticipated expenditures in carrying out the objectives of the corporation that may arise from time to time.
 - b) The amount of these reserves shall be equivalent to one quarter of the current project expense budget.
 - c) Such funds shall be subject to the regular CCLS fiscal policies including the authority to commit guidelines.
 - d) When these funds are allocated, the next annual budget shall show a minimum of one half of that allocation to replenish the fund and the remaining portion shall be replenished in the subsequent annual budget.
 - e) If the year-end financials statements show a net surplus over the budget in a given year, that surplus, or a portion thereof, shall be allocated to reimburse the reserve fund for unanticipated expenditures.

4. Carry Forward Funds
 - a) The total assets of the corporation, less the loss control fund balance, less the total current liabilities, less designated reserve funds, shall be deemed to be carry forward funds and may be allocated under the current authority to commit guidelines for the carrying out of the objectives of the corporation.

5. Investment of Reserve and Carry Forward Funds
 - a) Reserve funds may be invested at the discretion of the Treasurer utilizing conservative, low risk Canadian investment vehicles.
 - b) Such investments shall be reviewed on an annual basis.

Reserve Fund Example:

The following is a hypothetical example of how the unanticipated expense reserve fund could be allocated and reimbursed over a period of several years.

- On December 31, 2003 the CCLS balance sheet shows the full amount, or \$15,700, of the reserves in place.
- In July of 2004, the Board approves an allocation of \$3,000 from those reserves to project X, which was unanticipated in the 2004 budget.
- The year end balance sheet for 2004, will reflect the project reserves as \$12,700.
- The next budget, on January 1, 2005, must show at least half of that July 2004 allocation, or \$1,500, to reimburse the project reserve to the level of \$14,200.
- The subsequent budget, on January 1, 2006, must show the remainder of that allocation, budgeted to complete the payback to the reserve.
- The year end balance sheet for 2005 will reflect the project reserves as \$10,000.
- A second allocation of from the project reserves of up to \$14,200 could be made during 2005.
- The January 1, 2006 budget would also show the payback for the first allocation, \$1,500, plus half of the second allocation, \$7,100.
- The year end balance sheet for 2007 would show the project reserve back at it full amount of \$15,700 if no further allocations were made.

In this manner the project reserve will never fall below one half of its intended value for more than one full budget cycle, and should be fully reimbursed within two budgets unless an allocation is made for three consecutive years.

The following table illustrates the example above, including the second allocation.

| Date | Allocation/Expenditure | Budgeted Payback | Fund Balance |
|-------------|--|-------------------------|---------------------|
| Dec 2003 | | | \$ 15,700 |
| July 2004 | \$ 3,000 | | |
| Dec 2004 | | | \$ 12,700 |
| Jan 2005 | | \$ 1,500 | |
| Feb 2005 | \$ 14,200 (max = \$ 12,700 + \$ 1,500) | | |
| Dec 2005 | | | \$ 0 |
| Jan 2006 | | \$ 1,500 + \$ 7,100 | |
| Dec 2006 | | | \$ 8,600 |
| Jan 2007 | | \$ 7,100 | |
| Dec 2007 | | | \$15,700 |

In the above example, if there was a surplus over budget in December 2004, 2005 or 2006, the reserve fund would be paid back in part or in whole, using those excess funds and budgeted paybacks would be reduced accordingly.

Also, if the general budget in any of those years showed an increase or decrease in the basic project/committee allocation, the calculation of the full amount of the project reserve fund would be recalculated as one quarter of that new budget amount. Again, budgeted paybacks would be adjusted accordingly.