



## RESERVE FUND POLICY

### Purpose

The purpose of the Reserve Fund for Sail Canada is to help ensure the long-term ability of the organization to meet its mission. Sail Canada will maintain a financial reserve to aid in achieving the following objectives:

1. To create an internal line of credit to supplement operational cash flow and maintain financial flexibility;
2. To enable the organization to sustain operations through delays in payments of committed funding or declines in program or other revenue;
3. To pay for one-time, nonrecurring expenses that will build capacity, such as staff development.

The Reserve Fund is not intended to replace a permanent loss of revenue or to eliminate an ongoing budget deficit. It is the intention of Sail Canada that reserves will be used over a relatively short period, usually less than one year and replenished by the end of the subsequent fiscal year at the latest.

### Definitions and Goals

The Reserve Fund is defined as funds set aside by action of the Board of Directors. Its ongoing operation and oversight is delegated to the Finance Committee.

1. *Target Minimum Amount*

The minimum amount to be designated for the Reserve will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time. The Reserve serves a dynamic role, and will be reviewed and adjusted in response to internal and external factors.

The target for a prudent Reserve Fund is \$500,000 while the minimum Reserve Fund is \$250,000, which is approximately equivalent to a 20% drop in annual government source funding OR a similar decline in program and miscellaneous revenue OR a 10 to 15% across the board increase in operating expenses OR two months of operating expenses.

2. *Funding Reserves*

To establish the Reserve Fund, the Sail Canada Board of Directors approved a transfer of \$250,000 from the Sail Canada Fund in 2021 as the beginning balance of the fund.

The amount of the Reserve Fund target minimum shall be calculated each year as a part of the annual budgeting process. This amount will be reported to the Finance Committee

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**Approved by the Board of Directors: April 24, 2021**



and Board of Directors and included in regular financial reporting. The Reserve Fund may be funded annually with either i) surplus unrestricted operating funds or ii) as an expense included in Sail Canada's annual budget.

The Board of Directors may from time to time direct that a specific source of revenue be set aside for its reserves. Sail Canada Staff shall ensure that any donations designated for the Reserve Fund will not carry restrictions that conflict with the Board's oversight of the fund as outlined in this Policy.

### **Investing Reserves**

The Reserve Fund will be invested in liquid marketable securities, in accordance with the risk preferences, liquidity needs, and investment objectives of Sail Canada.

The Reserve fund may be placed in the Comingled Investment Account of the Canadian Olympic Foundation, which currently holds the Sail Canada Fund, but will be recorded and accounted for separately from the Sail Canada Fund for purposes of Sail Canada's financial reporting.

### **Accounting for Reserves**

The Reserve Fund will be listed separately in the unrestricted assets section of Sail Canada's statement of financial position as "Board-Designated Reserve". The status of the borrowings from the reserve will be reported in any financial reports to the Finance Committee and Board of Directors.

### **Use of Reserves**

1. *Management identifies appropriate use*

Sail Canada's Chief Executive Officer (CEO) and Staff will identify reasons for accessing the reserve funds and confirm that the use is consistent with the purposes of the reserves as described by this Policy. As a part of this process, the CEO will:

- Analyse the reason for the needed funds;
- Assess the availability of any other sources of funds and/or the reduction of program or other spending before using the reserves;
- Evaluate the time period that the funds will be required, and when the reserves will be replenished.

2. *Board authorizes use and monitors reserves*

The CEO may access the reserves for purposes as outlined above, as long as sufficient funds are available to repay such usage by the end of the subsequent fiscal year.

The CEO will submit a request to the Finance Committee which will include the analysis and determination of the use funds and plans for replenishment (as outlined above).



The Finance Committee will approve or modify the request and recommend the Board of Directors authorize transfer from the fund.

3. *Report and monitor use of funds*

The CEO is responsible for ensuring that the Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Reserves, the CEO and Staff will maintain records of the use of funds and plan for replenishment.

The CEO will provide regular reports to the Finance Committee and to the Board of Directors of progress to restore the fund to the target minimum amount.

### **Review and Approval**

1. This policy was approved by Sail Canada's Board of Directors on April 24, 2021.
2. This policy shall be reviewed annually, or sooner should internal or external events warrant the need.
3. Responsibility for the administration and update of this policy rests with the Finance Committee. Changes to the Policy will be recommended by Finance Committee to the Board of Directors.