



Reserve Fund Policy

PURPOSE

The purpose of this policy is to define what constitutes the Association's Reserve Fund, the intention for maintaining such a fund, and the methods under which the Fund is managed.

DEFINITIONS AND SCOPE OF POLICY

For the purposes of this policy, the Association's Reserve Fund is defined as an account containing the accumulated funds resulting from successful events and campaigns of previous fiscal years, held in reserve as a buffer against potential adverse results in the present or future years. The Association's Reserve Requirement is defined as an aggregate of existing current and future years' contractual and employer commitments as well as commitments to support initial development of programs or initiatives deemed to have strategic importance for the Association.

POLICY STATEMENT

The Association is committed to maintaining a Reserve Fund sufficient for the protection of the Association's operations in the event of financial difficulties or to meet its contractual obligations in the event of closure of its operations.

As a federally-incorporated not-for-profit organization, the Association must spend its financial resources in support of its programs. It cannot operate as a for-profit venture that carries forward surplus funds from year to year, or it will not be able to maintain its status as a not-for-profit organization under the conditions of the *Canada Not-for-Profit Corporation Act*. However, as a reflection of its responsibility to protect its operations from unforeseen circumstances, the Association maintains a Reserve Fund defined by strict criteria designed to maintain its not-for-profit status while shielding it from financial setbacks.

When fortunate enough to operate a highly successful program or event that results in funds in excess of operational requirements, the Association retains these surplus funds in its Reserve Fund to protect its ongoing operations. The Association maintains only the total of funds that meet its definition of Reserve Requirements; interest earned on the investments of the Fund are retained within the Fund as a mechanism to ensure that the Fund maintains value over time and continues to align with the Reserve Requirements, which will increment higher due to rising cost of living and other factors.

The Association maintains a reserve fund to provide:

- a source of funds to draw on in the event of an unexpected loss of revenues or unforeseen expenses. For example, if the conference had to be cancelled due to an airline strike, SARS-type virus, weather disasters, or other event, the Association would sustain a significant financial loss that could be offset from this fund;



- a source of income, where the earned interest might be directed to support start-up expenses of specific programs of strategic importance as approved by the Board; and
- a source of funds to draw on should the Association determine or be required to close its operations that is sufficient to cover all commitments including contractual and employer obligations, outstanding bills, and other related expenses.

In those times when the Association is not facing the loss of revenue or the prospect of imminent dissolution, the reserve fund should offer a meaningful contribution to strategic initiatives through the utilization of the investment income while at the same time protecting the invested capital.

The monies that comprise the reserve fund are to be managed in such a way as to provide maximum long-term consistency and stability of return. In light of these requirements, the following rules govern the management of the funds that comprise the reserve fund:

- Monies held in the reserve fund's account may be invested only in a portfolio of financial instruments defined as eligible in this policy.
- Investments in the portfolio will be biased towards fixed income and income producing instruments, including money market instruments, subject to the following parameters:
 - Cash and Money Market Securities – a target allocation of 5% of the portfolio, with a minimum allocation of 0% and a maximum allocation of 15%
 - Long term fixed income instruments – a target allocation of 95% of the portfolio, with a minimum allocation of 85% and a maximum allocation of 100%.
- The following fixed income and income producing investments are eligible investments for the reserve fund:
 - Government obligations (i.e. Treasury Bills Notes, Strip Coupons, Debentures and/or Bonds) issued directly or indirectly by the Federal government or an agency (Canadian and U.S.) or any of the provinces with an appropriate credit rating (see investment limits below).
 - Canadian Chartered Bank Securities, being Bearer Discount Notes, Deposit Receipts, Term Notes, Certificates of Deposit, Bankers Acceptances, bonds and strip coupons with an appropriate credit rating.
 - Guaranteed Investment Certificates where such deposits are covered by Canada Deposit Insurance Corporation or its provincial equivalent.



- Securities of foreign banks or the Canadian affiliates of foreign banks provided that the obligations are guaranteed or carry separate appropriate ratings.
- A maximum 7-year term of investment is allowed for any individual investment instrument.
- The following investments are strictly prohibited and will not form part of the investment portfolio of the reserve fund:
 - Corporate equity, such as stocks, derivatives or other similar type investments.
 - Investments carrying a credit rating below AA, with ratings used from one or more of the following ratings agencies: Canadian Bond Ratings Service, Dominion Bond Rating Service, Standard and Poor's Credit Rating Service, and Moody's Investor Services.
 - Preferred or common shares.

Although these investment rules are designed to restrict the volatility of the investment, the total monies within the reserve fund may fluctuate below or above its optimum level of 95% of an Association Reserve Requirements. Should the fund drop below 85%, the generated income would be reinvested so as to return to the optimum 95% level. Should the fund approach or surpass the 100% level, and there is a reasonable expectation that this level will be sustained in the short to medium term, the Association will invest in one or more special projects approved by the Board to be funded on a one-time or start-up contribution basis.

POLICY REQUIREMENTS

In order to achieve the goals of this policy, the Association will:

- Approve and review a definition of its reserve fund and its purpose.
- Approve and review the parameters for managing its reserve fund.
- Provide the necessary oversight over the management of the reserve fund to ensure the Association complies with its policy.
- Report annually to members on the status of the reserve fund and value of Reserve Requirement.

ACCOUNTABILITIES

General Principles

Association members are bound by the Volunteer Code of Conduct when participating in Association business, declaring conflicts of interest, and maintaining confidentiality of information. Employees and contractors of the Association are bound by the terms of their job



descriptions or contracts regarding the handling of their duties; in the absence of any specific terms, this policy and the Volunteer Code of Conduct will apply as best practices documents.

Board of Directors

The Board of Directors reviews monthly financial statements for the Reserve Fund's account to ensure that it is in compliance with the policy. In particular, the President and the Treasurer take a leading role in implementing and monitoring the policy. Initiated by the Treasurer, the Board of Directors reviews the Fund's investments, value and requirements annually to ensure that it remains consistent with the overall objectives of the Association as well as prudent and conservative investment practices. The Board of Directors may set a funding target for a minimum annual return; typically, this target is the rate of inflation.

Should the Association be in the position that the Reserve Fund exceeds the Reserve Requirements, the Board will identify an amount to be transferred out of the Reserve Fund in support of one or more strategic projects that would benefit most from one-time or start-up contributions of funding.

Secretariat

The Executive Director provides day-to-day management, oversight and monitoring of the Reserve Fund to ensure that the Association is in compliance with the provisions of this Reserve Fund policy. The Executive Director provides regular account statements to the Board of Directors, which includes an inventory of portfolio investments, the terms to maturity for each, any deposits or withdrawals and lists investment-trading transactions within the period. The Executive Director works to attain the funding target (e.g. rate of inflation) for the minimum annual return, should the Board define such a target.

The Executive Director provides the list of commitments and the amounts for each which comprise the Association's Reserve Requirements.

Members

As primary stakeholders of the Association, members are encouraged to review the Reserve Fund policy, ask questions regarding its assumptions and investment rules, and receive financial statements pertaining to the results of the investment portfolio that make up the Association's reserve fund.