

Operating Reserve Policy

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| <i>Policy</i> | <i>Every 4 years</i> | <i>October 2025</i> | <i>December 2024</i> |

1 Purpose

The Board of Directors of Sail Manitoba has determined it is in the interest of the association to establish and maintain an internally restricted operating reserve to provide protection in the case of unanticipated financial stress and to fund strategic capital asset programs

2 Definitions

Intentionally left blank

3 Policy

With respect to the association’s reserve, the Board has determined that the operating reserve shall be established and maintained at a minimum level of 25% of annual operating expenses. The reserve shall be funded by annual contributions of not less than 2% of annual operating expenses until the minimum level has been achieved.

Accordingly, the Association shall:

- a. Maintain a reserve account, separate from the general operating account, with the Association’s financial institution.
- b. Budget annually a contribution to the operating reserve of not less than 2% of annual operating expenses as part of the expense budget until a target balance equal to or greater than 25% of annual operating expenses has been achieved.
- c. Once the operating reserve balance minimum of 25% of annual operating expenses is achieved, continue to budget annually an appropriate amount to maintain or increase the operating reserve at the discretion of the Board of Directors.
- d. Transfers between the general operating account and the internally restricted operating reserve account shall be approved by the Board of Directors at the annual budgeting meeting of the Board of Directors in each fiscal year. The Board may be called on at other times to approve reserve account transfers at the request of the Executive Director.

The Board reserves the right to modify the above during the annual budget approval process, should special circumstances or the budgetary needs of the association demand.

3.1 Allowable Uses

To ensure funds are used appropriately towards necessary expenses, the Association has established several allowable uses:

1. Supplement of operational cash flow to maintain financial flexibility and liquidity;
2. To enable the association 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.
4. To fund strategic capital asset programs.

3.2 Investing of Reserves

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

3.3 Monitoring & Reporting

To satisfy the Board that this policy is being complied with, each year, the Board shall review the auditor's report to confirm the budgeted contribution to the operating surplus has been properly applied and determine if this policy needs amendment.

4 Procedure

4.1 Use of Reserves

In the event that the Association needs to access the Operating Reserve Fund, the association will go through a three-step process:

1. Executive Director in consultation with the Executive Committee Identifies Need

The Executive Director will identify a need for accessing the reserve fund and will confirm that its use is consistent with the purposes of the reserves as described in the Policy. As part of the review, management will ensure to:

- Analyze the reason for needing the funds
- Assess the availability of any other sources of funding/cost-saving measures that might be leveraged to address the need in place of the reserves.
- Evaluate the time period that the funds will be required, as well as when and how the reserves will be replenished.

- Based on the information and analysis, and recommendation of the Executive Director, the Executive Committee will develop a recommendation for consideration by the Board

2. Board Authorizes Use of Reserves

The Board of Directors will review and either approve or modify the request. Once approved, it will then authorize a transfer from the fund.

3. Report and Monitor Use of Funds

Upon approval, the Executive Director and Treasurer will maintain records of the use of funds and plan for replenishment. The Executive Director and Treasurer will provide regular reports to the Board of Directors on progress to restore the fund to the target minimum amount.

5 Governance, Review, & Approval

The roles and responsibilities for the oversight, review and delivery of this policy are identified as follows:

- **Executive Director:** Administration and regular review of this policy
- **Sail Manitoba Board of Directors:** Responsible for reviewing and approving