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		Approval Date:	June 21, 2016
		Effective Date:	June 21, 2016
		Reviewed:	VRHF Chair Policy and By-Law
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1. Purpose


To build and maintain an adequate level of unrestricted net assets to support the Foundation's day-to-day operations in the event of unforeseen shortfalls.

2. Definitions

- 2.1 Financial Reserves – a discrete subset of liquid net assets that an organization can access either to mitigate the impact of unbudgeted and undesirable financial events or to pursue opportunities of strategic importance that may arise in the future. Some types of reserves are:
- 2.1.1 Operating reserve – funds set aside in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months, for unanticipated circumstances.
 - 2.1.2 Contingency reserve – funds set aside for unexpected one-time events
 - 2.1.3 Special program reserves – funds set aside for a specific one-time purpose, project or program
 - 2.1.4 Capital reserves – funds set aside for land and/or building purposes.
- 2.2 Disbursement Quota - the minimum calculated amount that a registered charity is required to spend each year on its own charitable programs or on gifts to qualified donees, such as other registered charities. The calculation is completed annually by CRA based on information in the charity's annual return.

3. Scope

This policy covers the creation, management and use of unrestricted financial reserves to ensure the operations of the Foundation continue if faced with unexpected or unforeseen challenges. The establishment of this policy will serve to reduce the impact of sector-specific risks, avoid undesirable cost-reduction measures and create confidence in the Foundation's financial management stewardship.

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4. Procedures

The Finance Committee will:

Creation of reserve funds:


- 4.1 Identify, quantify and assess probability of potential negative performance in revenues or expenditures. Consider long and short term needs (five years) and set reserve levels based on those needs. Review annually.
- 4.2 Review each key budget line and evaluate negative performance risks across all identified one-time and recurring line items. Review annually.
- 4.3 Calculate the minimum Operating Reserve Fund equal to (number of) months of average recurring operating costs. This figure should be calculated after the approval of the annual budget. Consider five year window and annual net present value calculations. Review annually.
- 4.4 Identify appropriate balance sheet assets in which to invest the established reserves. The Fund will be available in cash or cash equivalent funds.
- 4.5 Ensure the Foundation is not contradicting established by-laws in establishing reserves.

Use of Reserve Funds:

- 4.5 The Executive Director will identify the need for access to the reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this policy.
- 4.6 The Executive Director will submit a request to use operating reserves to the Finance Committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment within (number of) months.
- 4.7 The Finance Committee will review the request. If in agreement, recommend the request to the Board of Directors; if not, will decline the request.

Reporting and monitoring:

- 4.8 The Executive Director and Finance Committee are responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this policy.
- 4.9 Upon approval for the use of operating reserve funds, the Executive Director will maintain records of the use of funds and plan for replenishment.

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4.10 The Executive Director will provide regular reports to the Finance Committee/Board of Directors of progress to restore the fund to the target minimum amount.

5. Responsibilities

- 5.1 The Board of Directors may direct that a specific source of revenue be set aside for operating reserves, for example, one-time gifts, bequests, special grants or appeals. The Operating Reserve Fund will be funded with surplus unrestricted operating funds.
- 5.2 The Executive Director and Finance Committee are responsible for ensuring the Operating Reserve Fund is maintained and used only as described.
- 5.3 The Executive Director and Finance Committee will annually discuss what additional risk factors might be considered for the Foundation, the impact of budgeting on operating reserve levels, and any requirements with funders.
- 5.4 The Executive Director and Finance Committee will ensure the Foundation is meeting Disbursement Quota levels mandated by Canada Revenue Agency. The disbursement quota is meant to ensure the Foundation uses donations at least to a minimum degree to further its charitable activities and to not accumulate excessive funds.

6. Associated Documents

Risk Management Plan

7. Related Forms

8. Related Policies

Investment
Financial Management
Unrestricted Funds
Restricted Funds



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