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**Reserves Policy**

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**1. Purpose**

- 1.1 The purpose of the Reserves Policy for St Mary's University (StMU) is to ensure the stability of the mission, programs, employment, and ongoing operations of the University and to provide a source of internal funds for university priorities such as building repair and improvement, program opportunity, and capacity building.
- 1.2 The Reserves Policy will be implemented in concert with the other governance and financial policies of StMU and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.
- 1.3 Members of the Board should be mindful though that the Canada Revenue Agency (CRA) has rules in respect of how not-for-profit organizations and registered charities may maintain reserves (see Appendix 'A').

**2. Definitions and Goals of the Operating Reserve**

- 2.1 The Operating Reserve ('reserve') is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The Reserve serves a dynamic role and will be reviewed and adjusted in response to both internal and external changes.
- 2.2 The Reserve is intended to provide funds (that resulted from operating savings/revenues) that arose during a fiscal period to address special needs that further the mission of StMU. The Reserve is also intended to serve as a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity.

Approval Authority	Responsible Office	Effective Date	Date Last Revisited	Review Frequency
Board of Governors	VP, Finance & CFO	Jun, 24, 2019	Has not been revisited since the initial effective date	Every 5 years

### **3. Reporting Reserves**

The Reserve Fund will be disclosed in the financial statements as Board-Designated 'X' Reserve. The Funds will be funded and available in cash or cash equivalent funds. Reserves will be commingled with the general cash and investment accounts of the organization.

### **4. Funding of Reserves**

The Reserve will be funded with surpluses from operating activities. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Special Reserves. Examples could include unrestricted gifts/bequests and special appeals.

### **5. Use of Reserves**

Use of the Reserves requires three steps:

#### **5.1 Identification of appropriate use of the reserve funds.**

The President and Executive Team will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall that the reserve will fund, the availability of any other sources of funds before using reserves and evaluation of the time-period that the funds will be needed and replenished, if required. Alternatively, the President and Executive Team will consider opportunities for the use of the reserve in any given year, including the possibility of saving said reserves for future needs. The selection of the appropriate investment vehicle will be directed by StMU Investment Policy (to be drafted) and tailored to the specifics of the situation (e.g. short vs. long investment period, ETC).

#### **5.2 Authority to create and use reserves.**

Authority for the creation and use of operating reserves up to \$125,000 is delegated to the President in consultation with the VP Finance/CFO and/or members of the Executive Team. Any amount in excess of \$125,000 must be approved by the Board. The Board may create Special Reserves for specific projects. The Board of Directors will be updated regularly with the use of Reserves, accompanied by a description of the analysis and determination of the use of funds and plans for replenishment to restore the Reserve Fund to the target minimum amount (if applicable).

#### **5.3 Reporting and monitoring.**

The President is responsible for ensuring that the Reserve Funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve Funds, the Finance Team will maintain records of the use of funds and plan for replenishment, if required. He/she will provide regular reports to the Finance Committee/Board of Directors of progress to restore the Fund to the target minimum amount, if required.

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## **St. Mary's University: Reserves Policy**

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### **6. Review of Policy**

This Policy will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance Committee to the Board of Directors

### **7. Exceptions to the Policy**

Exceptions to the guiding principles in this Policy must be documented and formally approved by the Vice-President, Finance & CFO.

### **8. Inquiries**

Inquiries regarding this Policy can be directed to the Vice-President, Finance & CFO.

## **Appendix A**

The CRA has stated that in order to maintain tax-exempt status, not-for-profit organizations must ensure that such reserves are “reasonable” and for an identifiable operating purpose or a specific, future capital project. While the CRA acknowledges that registered charities can, and in some circumstances should, maintain a reserve fund, fundraising that results in an unjustified level of reserves may cause the CRA to question whether the charity is meeting the requirement to devote its resources exclusively to charitable activities. Accordingly, directors should ensure that the level of reserves maintained is justified and reasonable so as to avoid compromising the organization’s non-profit or charitable status.