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## Council Policy

Policy Name	<b>Operating Reserve</b>
Issue Date	<b>July 19, 2014</b>
Revision Dates	<b>August 20, 2025</b>

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### Purpose

The purpose of the Operating Reserve is to ensure the stability of the mandate, programs, employment, and ongoing operations of the organization in the event of a sudden or unexpected negative change in revenue that would affect the provision of services to members and to provide funds to offset normal short term fluctuations in cash flow within any given budget year.

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden unforeseen increase in expenses, one-time unbudgeted expense, unanticipated loss in funding, or uninsured loss and gaps in cash flow resulting from the uneven receipt of revenue relative to expenses within the budget year. The Reserve may also be used for one-time, nonrecurring expenses that would build long-term capacity, such as staff development or education, research and development, or investment in infrastructure. It is to be stressed that such development is expected to be extraordinary and not be a source of continuing education or planned development.

The Operating Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of the Operating Reserve to be used as required within the parameters of this policy and be replenished within a reasonably short period of time in the current or subsequent year or years. The Operating Reserve policy will be implemented cohesively with other governance and financial policies of the OAA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.

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### Definitions and Goals

The Operating Reserve is a designated fund set aside by Council through its annual budget, or through the allocation of surplus funds. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months and shall be not less than 6 (six) months and shall not exceed 12 (twelve) months. The Operating Reserve will be reviewed annually by the Finance & Audit Committee and adjusted in response to internal and external changes as approved by Council. As a dynamic fund, its value will fluctuate from year to year, depending on available funds, precedent and input from Council but shall not be less than the set period stated.

The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services. Conference expenses, depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes one-time programs or unusual, capital purchases.

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### Accounting for the Reserve

The Operating Reserve will be recorded in the financial statements as Operating Reserve Fund (Internally Restricted).

Operating Reserves will be segregated and invested in accordance with the Association's investment policies.

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### **Funding of the Reserve**

The Operating Reserve will be funded with surplus unrestricted operating funds. Council may, from time to time, direct that a specific source of revenue be set aside for the Operating Reserve. Where the Fund is deemed to be deficient, a schedule to replenish the Fund shall be established by the Finance & Audit Committee, and approved by Council. Such schedule may be extended over several years, if necessary, in order to not compromise existing programs, commitments or planned expenditures. The schedule shall also not be altered unreasonably by successive Finance & Audit Committees or Councils.

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### **Use of the Reserve**

Use of the Operating Reserve requires two steps for approval:

1. Identification of appropriate use of the Reserve Fund.

The Senior Vice President and senior staff will identify the need for access to the Operating Reserve and confirm that the use is consistent with the purpose of the Reserve as described in this Policy. This step requires reporting of the reason for the withdrawal, the availability of any other sources of funds before using the Reserve, and evaluation of the time period that the funds will be required and replenished. The Senior Vice President shall outline the requirement for use, availability of other funding and the proposed repayment schedule to Council.

2. Authority to use the Operating Reserve:

Authority for use of the Operating Reserve is at the discretion of Council. Council shall review the proposal and vote to approve or deny the use of the Operating Reserve.

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### **Reporting and Monitoring**

The Manager, Finance is responsible for ensuring that the Operating Reserve is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve, the Manager, Finance will maintain records of the use of the Fund and schedule for replenishment. The day-to-day management of the Fund remains with the Executive Director who remains responsible for the overall management of the finances of the OAA, under the direction of Executive Director and Council.

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### **Review of Policy**

This Policy will be reviewed annually by the Finance & Audit Committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the Finance & Audit Committee to Council for approval.

