



Reserve Fund Policy

The purpose of this policy is to define what constitutes the Forest Hill Figure Skating Club (FHFSC) 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 FHFSC Reserve Fund is defined as an account containing the accumulated funds resulting from successful skating seasons fiscal years, held in reserve as a buffer against potential adverse results in the present or future years. The FHFSC Reserve Requirement is defined as an aggregate of a minimum of one (1) and up to three (3) years of surplus revenues gained by delivering ice and figure skating programs to the FHFSC membership and any guests.

POLICY STATEMENT

Forest Hill Figure Skating Club is committed to maintaining a Reserve Fund sufficient for the protection of the Club's operations in the event of financial difficulties or to meet its contractual obligations in the event of closure of its operations, a downturn in registrations or to meet its long term strategic goals.

As a provincially incorporated not-for-profit organization, the Club 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 Ontario Not-for-Profit Corporation Act. However, as a reflection of its responsibility to protect its operations from unforeseen circumstances, the Club maintains a Reserve Fund defined by strict criteria designed to maintain its not-for-profit status while shielding it from financial setbacks of any kind.

When fortunate enough to operate a highly successful program(s) or event(s) that results in funds in excess of operational requirements, the Club retains these surplus funds in its Reserve Fund to protect its ongoing operations. The Club 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 Club 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 there were significant decreases in skater registrations for some reason beyond the Club's control or a health crisis or H.R. issues or coaching issue or weather disasters, or any other event beyond the Club's control, the Club would sustain a significant financial loss that would 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 Club 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 Club 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:
- The following fixed income and income producing investments are eligible investments for the reserve fund:
 - o 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).
 - o 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.



- o Guaranteed Investment Certificates where such deposits are covered by Canada Deposit Insurance Corporation or its provincial equivalent.
- 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:
 - o Corporate equity, such as stocks, derivatives or other similar type investments.
 - o 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.
 - o 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 the Club's 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 Club 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 Club 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 Club complies with its policy.
- Report annually to members on the status of the reserve fund and value of the Reserve Requirement.



ACCOUNTABILITIES

General Principles

Club Board of Directors are bound by the Skate Canada Code of Conduct and Ethics when participating in Club's business, declaring conflicts of interest, and maintaining confidentiality of information. Employees and contractors of the Club 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 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 Club 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 at or above the rate of inflation.

Should the Club 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.

Treasurer

The Board Treasurer provides day-to-day management, oversight and monitoring of the Reserve Fund to ensure that the Club is in compliance with the provisions of this Reserve Fund policy. The Treasurer 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 Treasurer works to attain the funding target (e.g. rate of inflation) for the minimum annual return, should the Board define such a target.

The Treasurer provides the list of commitments and the amounts for each which comprise the Club's Reserve Requirements.



Members

As primary stakeholders of the Club, 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 Club's reserve fund.