

POLICY NUMBER: 3.8	DATE ADOPTED: Jan 17/2018
POLICY TYPE: Finance	DATE AMENDED:
POLICY TITLE: Capital Reserve Fund	

Capital Reserve Fund

Purpose

By resolution, the Board will designate a capital reserve fund.

The purpose of the capital reserve fund is to ensure funding for necessary capital projects in the long term.

While funders once considered that organizations with money were not in need of additional funding, the financial setback of a decade ago has shown that financially under-capitalized organizations are often too fragile to survive. Funders are beginning to realize that investments in stable organizations who are thinking ahead and managing their funds appropriately are more likely to result in successful returns.

Definitions and Goals

1. The capital reserve fund will be established in the equity section of the Society's balance sheet.
2. Money in the capital reserve fund will be held in an identified savings account with the Society's bankers.
3. The initial amount in the capital reserve fund will be at least \$25,000.
4. Assets in the capital reserve fund will be held in low risk, liquid instruments.
5. The Board will establish priorities for capital projects and will review the priorities annually.
6. The Board's goal is to maintain an amount in the capital reserve fund equal to the value of the capital projects authorized by the board plus a 15% contingency for unexpected requirements.

Funding reserves

The following methods will be used to raise money for the capital reserve fund:

- Project specific capital campaigns
- Portion of budgeted operating surplus or "contribution to capital reserve fund" operating budget line item
- Fund non-cash depreciation expense with cash income
- Include in multi-year capital budgets

- Include in planned giving campaigns
- Designate Board contributions
- Designate windfalls (one-time grants, gifts)
- Tariff (assign a %) of unrestricted gifts

Use of reserves

Capital projects are those that relate to the Society's physical theatre facility; building, fixtures and equipment. The value of such projects will typically exceed \$3,000. Projects below this threshold will be accounted for in annual operations.

A capital project, the cost of which exceeds the amount available in the capital reserve fund, must be supported by a realistic budget of designated income and expense in order to be approved.

Authority

Capital projects for which money is to be raised and spent through the capital reserve fund require a resolution of the Board.