Restricted and Unrestricted Reserves Policy

Policy #: 007

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1. Purpose

The purpose of this Cash Reserve Policy is to establish guidelines for the creation, maintenance, monitoring, and use of the Bereavement Authority of Ontario's (BAO) cash reserves. This policy supplements section 3.0 of the BAO's Investment Policy: Investment Governance Principles:

The accumulation of an operating surplus in a not-for-profit organization is not a desirable goal. The general expectation is that the BAO will use its funds to provide services in terms of its mission and mandate. The BAO maintains cash reserves to:

- Ensure financial stability and sustainability.
- Protect against unexpected revenue shortfalls or unplanned expenditures.
- Support continuity of operations during periods of economic uncertainty or operational disruption.
- Fund strategic initiatives and organizational priorities approved by the Board.
- Demonstrate prudent financial stewardship and sound governance.

This policy supports the BAO's commitment to maintaining sufficient liquidity to meet its obligations while ensuring resources are managed effectively and responsibly. Restricted and Unrestricted net assets will be reported and segregated on the organization's financial statements.

2. Scope

This policy applies to all unrestricted and internally restricted cash and investments held by the BAO and is intended to guide management and the Board of Directors in decisions relating to reserve levels and the use of reserve funds.

3. Definitions

Accumulated 'unrestricted' surpluses: or financial resources that are the aggregate of prior year surpluses achieved, net of any annual deficits incurred and capital asset transactions. They are readily available to support BAO operations and strategic objectives.

Internally restricted Surplus: Those surpluses restricted by the Board for a specified future purpose

Cash reserves exclude:

- Compensation Fund assets and liabilities.
- Deferred revenues.
- Security deposits or trust funds held on behalf of third parties.
- Capital assets and other non-liquid assets.

4. Reserve Categories

The BAO shall maintain the following reserve categories:

a) Operating Reserve

The Operating Reserve is intended to provide working capital and financial protection against unforeseen events, revenue fluctuations, emergencies, or operational disruptions.

b) Strategic Reserve

The Strategic Reserve may be established to fund significant organizational initiatives, transformation projects, technology investments, office relocations, or other Board-approved priorities.

c) Contingency Reserve

The Contingency Reserve may be used to address extraordinary events, including legal matters, regulatory changes, cybersecurity incidents, business continuity events, or other unforeseen circumstances.

5. Target Reserve Levels

The BAO shall maintain a minimum Operating Reserve equivalent to between six (6) and twelve (12) months of approved operating expenditures, excluding depreciation and other non-cash expenses.

The target reserve level shall be reviewed annually by management and recommended to the Board as part of the annual budgeting process.

Factors to be considered when determining the appropriate reserve level include:

- Revenue stability and predictability.
- Regulatory and operational risks.
- Economic conditions.
- Strategic initiatives and capital requirements.
- Business continuity and disaster recovery considerations.
- Industry and public-sector best practices.

6. Funding of Reserves

Cash reserves may be funded through:

- Annual operating surpluses.
- Investment income.
- One-time revenue opportunities.
- Board-approved transfers from unrestricted net assets.

Management shall recommend reserve contributions as part of the annual budget process.

7. Use of Reserves

Reserve funds may be utilized only when:

- Approved operating funds are insufficient to meet essential obligations.
- An emergency or unforeseen circumstance arises.
- A Board-approved strategic initiative requires funding.
- Significant financial risks materialize that threaten the BAO's operational stability.

Reserve funds shall not be used to support recurring structural operating deficits without a corresponding plan to restore financial sustainability.

8. Approval Authority

Use of reserve funds shall require:

Amount	Approval Authority
Up to $100,000	Chief Executive Officer
$100,001 to $250,000	Finance & Audit Committee Chair and CEO
Greater than $250,000	Board of Directors

All reserve withdrawals shall be reported to the Audit, Risk & Finance Committee at its next scheduled meeting.

9. Replenishment of Reserves

Where reserve funds are utilized, management shall develop and present a replenishment plan to the Audit, Risk & Finance Committee and Board within six months of the withdrawal.

The replenishment plan shall outline:

- Amount withdrawn.
- Reason for withdrawal.
- Proposed funding source(s).
- Expected timeline for restoration.

10. Monitoring and Reporting

Management shall monitor reserve balances on an ongoing basis and report to the Audit, Risk & Finance Committee and Board at least quarterly.

Reports shall include:

- Current reserve balances.
- Reserve target levels.
- Any reserve withdrawals or transfers.
- Forecasted impacts on reserve adequacy.

11. Investment of Reserve Funds

Reserve funds shall be invested in accordance with the BAO's Investment Policy and applicable legislation.

The primary objectives for reserve investments shall be:

1. Preservation of capital.
2. Liquidity.
3. Reasonable return on investment.

12. Annual Review

This policy shall be reviewed annually by management and the Audit, Risk & Finance Committee and recommended to the Board for approval as required.

13. Policy Authority

Approved By: Board of Directors

Effective Date: _September 2026____
Last Review Date: _September 2026__
Next Review Date: _September 2027_