



Section: **Financial Procedures**
Policy #: 6050
Policy: **Internally Restricted Reserve Funds**

Date Approved: June 22, 2017
Revision Dates:

POLICY:

Internally Restricted Reserve Funds are required to provide a mechanism for disciplined savings for future school needs and to meet Canada Revenue Agency guidelines regarding not for profit Societies. Schools will establish and maintain an Internally Restricted Operating Reserve Fund and an Internally Restricted Capital Reserve Fund. The Internally Restricted Operating Reserve Fund will have a maximum limit of 5% of the school's previous year's operating expenses, including Special Education, After School Programs, Day Cares, etc, as applicable. The Internally Restricted Capital Reserve Fund has no maximum limit.

PROCEDURES:

1. Schools are required to submit a balanced or surplus operating budget. In the event that a deficit budget is submitted for approval to the Board of Directors, the shortfall must be funded through the Internally Restricted Operating Reserve Fund.

Requests for approval to use Internally Restricted Operating Reserve funds are to be made in writing to the Board of Directors.

2. Schools are required to include a "Future Capital Needs" line item in their budget. The amount of this line item will be determined annually by the Diocesan Finance Office.

Funds may be withdrawn from the Internally Restricted Capital Reserve Fund only for approved major capital expenses. Requests for approval to use these funds are to be made in writing to the Board of Directors.

3. Upon completion of year-end financial statements, surplus funds will automatically be allocated by the Diocesan Financial Office as follows:

- a) First, the Future Capital Needs budgeted amount to the Restricted Capital Reserve Fund;
 - b) Second, the Internally Restricted Operating Reserve Fund;
 - c) Third, once schools have reached the maximum level in their Restricted Operating Reserve Fund, any additional surplus funds will be allocated to the Restricted Capital Reserve Fund.
4. Internally Restricted Operating and Capital Reserves are administered by the Diocesan Finance Office in consultation with the Superintendent, with the responsibility to establish and implement policies relating to the Reserves:
- Establish minimum amounts to be retained in the Reserves after consideration of the future needs of particular schools.
 - Calculate the interest to be charged on loans, and paid on credit balances.
 - **Note: Interest will be paid only on funds designated as "reserve" funds and invested by the Diocesan Finance Office.**