

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, Childcares, etc., as applicable. The Internally Restricted Capital Reserve Fund has no maximum limit.

NOTE: Both reserves are funded through a combination of the school's operating bank account and/or funds held in the Catholic Independent Schools of Nelson Diocese (CISND) investment account.

PROCEDURES

1. Schools are required to make every effort to submit a balanced or surplus operating budget. In the event that a deficit budget is submitted and approved by the Board of Directors, the shortfall must be funded through the Internally Restricted Reserve Funds.
2. The Internally Restricted Capital Reserve Fund may be drawn down only for approved major capital expenses. Requests for approval to access the Reserve accounts are to be made in writing to the Board of Directors. Refer to Policy 6040 *Capital Expenditures* for capital requests in excess of \$20,000.
3. Upon completion of year-end financial statements, surplus funds will automatically be allocated by the Diocesan Financial Office as follows:
 - a) First, the Internally Restricted Operating Reserve Fund.
 - b) Second, 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 each school.
 - Calculate the interest to be charged on loans and paid on credit balances.
 - **Note: Interest will be paid only on funds invested by the CISND.**

Date Approved: January 2017
Date(s) Revised: June 15, 2022
Date Reviewed: