



Policy Title	Reserves Policy
Issued By	Finance, Audit & Investment Committee
Contact	Vice-Principal, Finance and Administration
Approved By	Board of Trustees
Effective Date	October 12, 2016
Last Review	N/A
Next Review	October 2021

PURPOSE:

To set out principles and thresholds for establishing and maintaining various types of reserves to ensure Brescia’s long term operating stability and to provide a source of internal funds for organizational priorities such as capital improvements.

1.0 OPERATING RESERVE:

- 1.1 The Operating Reserve, or year-end unappropriated operating reserve, is intended to provide an internal source of funds to cushion Brescia from unanticipated, unusual situations such as a sudden or one-time increase in expenses, unanticipated losses or delays in funding, or uninsured losses.
- 1.2 The Operating Reserve is also intended to allow Brescia to develop financial plans that extend over a number of fiscal years without being restricted by a requirement that revenues must balance expenses in each year of the plan.
- 1.3 The Operating Reserve is not intended to replace a permanent loss of funds or eliminate or solve an ongoing budget gap. If used (i.e. unappropriated operating reserve falls outside of established range), The Operating Reserve is to be replenished within a period of time as stipulated by the Board of Trustees, consistent with Brescia’s multi-year planning.
- 1.4 Brescia’s Operating Reserve is not simply an accounting or budgeting concept, but is intended to be supported by actual cash. The Operating Reserve is not intended to be an internal restriction of net current assets, which would require liquidation of current assets less current liabilities in order to be realized as cash.
- 1.5 The amount of the Operating Reserve will be established by a Board of Trustees resolution on at least an annual basis, as recommended by the Finance, Audit & Investment Committee (FAIC). The amount of the Operating Reserve will be set in the context of Brescia’s anticipated upcoming cash flow needs as per Brescia’s operating and capital budgets and forecasted cash flow. The amount of the Operating Reserve should also take into account the amount of cash that has been internally restricted for

other purposes such as for future capital expenditures, unspent research grants, deferred tuition and student fee revenue and other deferred revenues. Last, the amount of the Operating Reserve should take into account Brescia's other available sources of short term emergency funding including any operating lines of credit in place with financial institutions.

- 1.4 An intentional decrease in the Operating Reserve in a particular year may be indicated if the Board of Trustees approves a deficit budget in that year. Any such approved decrease is intended to be accompanied by an approved plan to replenish the Operating Reserve in a subsequent year, all in accordance with a multi-year operating and capital plan.
- 1.5 The minimum amount of Operating Reserve should be sufficient to maintain ongoing operations and programs for at least one month (i.e. one month's average operating costs plus average monthly debt service). The mandatory minimum operating reserve will be established by resolution of the Board of Trustees and will be reviewed and adjusted regularly on at least an annual basis, upon the recommendation of the FAIC.

2.0 CAPITAL FUND:

- 2.1 The Capital Fund represents Brescia's capital reserve, and is intended to fund Brescia's capital priorities that are not funded from other sources.
- 2.2 The capital fund was established by a resolution of the Board of Trustees and is invested with a third party investment manager in accordance with a Statement of Investment Policies and Procedures that takes into account Brescia's objectives regarding rates of return on the fund along with required liquidity and risk tolerance associated with the capital fund.
- 2.3 Additions to the capital fund are made periodically from cash not required for Brescia's day-to-day operations via resolution of the Board of Trustees (as recommended by FAIC).
- 2.4 Withdrawals from the capital fund to fund Brescia's capital projects not otherwise funded from either operating cash flow or external sources of capital funding are made in a planned, strategic fashion via resolution of the Board of Trustees (as recommended by FAIC).

3.0 PERIODIC REVIEW

Brescia's Operating Reserve and Capital Fund are to be examined periodically by the Board of Trustees as recommended by the Finance, Audit & Investment Committee (FAIC) in the context of Brescia's current operating environment, financial situation and multi-year financial planning and outlook.

4.0 EXAMPLE OF PROCESS AND INTERRELATIONSHIP BETWEEN THE RESERVES/FUNDS:

Annually, the Board of Trustees establishes an Operating Reserve of \$2 million at fiscal year-end. In June and July following fiscal year-end, Brescia's cash balance drops below the \$2 million, only to be replenished in the near term in August when students pay the first instalments of tuition and Brescia's cash balance reaches its highest point in the fiscal year.

The Capital Fund is invested with a third party investment manager and amounts to \$3.9 million, which represents amounts appropriated out of excess cash from time to time and transferred to the Capital Fund, plus net investment income after investment fees earned and reinvested into the fund. The Board of Trustees at its discretion intentionally appropriates certain amounts of excess cash each year in excess of the Operating Reserve to add to the Capital Fund, and has a plan for when the capital funds will be required to fund Brescia capital projects, as set out in Brescia's multi-year capital plan. The Board establishes a minimum balance required in the Capital Fund from year to year, in the context of Brescia's upcoming capital plans and deferred capital maintenance liability.

Funds may be moved by Board resolution out of the Capital Fund to fund Brescia's operations if required, although it is understood that this would only be contemplated in urgent financial situations and is not the intended use of the Capital Fund.