

	Policy No.: <p style="text-align: center;">3</p>	Approval Date: September 24, 2012 Created: July 27, 2012 Last Reviewed:
Title: <p style="text-align: center;">Operating Reserves Policy</p>		
Background & Purposes: <p>The purpose of the Operating Reserves policy for the SFU Administrative and Professional Staff Association is to ensure the stability of the mission, programs, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses or uninsured losses. The Reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, strategic development, or investment in infrastructure. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of APSA for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve policy will be implemented in concert with the other governance and financial policies of APSA and is intended to support the goals and strategies contained in these related policies and in strategic and operational plans.</p>		

DEFINITIONS AND GOALS

The Operating Reserve Fund is defined as the designated fund set aside by action of the Board of Directors. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Operating Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to **six** months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, program, and ongoing services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation. The calculation of average monthly expenses also excludes some expenses such as professional development programs, one-time or unusual capital purchases.

The amount of the Operating Reserve fund target minimum will be calculated each year after approval of the annual budget, reported to the Board of Directors, and included in the regular financial reports.

ACCOUNTING FOR RESERVES

The Operating Reserve Fund will be recorded in the financial records as Unrestricted Reserve. The Fund will be funded and available in cash or cash equivalent funds. Operating Reserves will be maintained in an investment fund, in accordance with investment policies.

FUNDING OF RESERVES

The Operating Reserve Fund will be funded with surplus unrestricted operating funds.