



## Reserves Policy

### Purpose

The purpose of the Reserves Policy for the PEI Institute of Professional Planners (the Institute) is to ensure the stability of the mission, programs, services, and ongoing operations of the organization and to provide a source of funds for Institute priorities such as strategic initiatives, program opportunities, and capacity building.

### Policy

#### **Operating Reserve**

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, unanticipated loss in funding, or uninsured losses. Operating Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of PEIIPP for Operating Reserves to be used and replenished within a reasonably short period of time. The Operating Reserve Fund is defined as a designated fund set aside by action of the PEIIPP Council. The minimum amount to be designated as Operating Reserve will be established in an amount sufficient to maintain ongoing operations and programs measured 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 both internal and external changes.

The target minimum Operating Reserve Fund is equal to at least six months of average operating costs. The calculation of average monthly operating costs includes all recurring, predictable expenses such as contracts for services, occupancy, travel, program, and ongoing professional services. Depreciation, in-kind, and other non-cash expenses are not included in the calculation.

The amount of the target minimum will be calculated each year after approval of the annual budget by the PEIIPP Council.

#### **Strategic Reserve**

The Strategic Reserve is intended to provide funds to cover any and all expenses associated with significant special projects, strategic initiatives, or other priority activities that are related to the purposes and work of the Institute, and as identified and determined by the PEIIPP Council from time to time. The fund is augmented by a portion of excess revenue over expenses for the PEIIPP Annual Regional Conference. The fund balance is reviewed and set by the PEIIPP Council by an annual resolution before the end of the year. The fund balance is to be conservatively invested and the investment income is to be accumulated in the fund.

## **Discipline Reserve**

The Discipline Reserve is intended to provide funds for major discipline cases. The Discipline fund is augmented by an annual allocation from general operations determined by the PEIIPP Council in the annual budget. The goal is for this fund to be maintained at a minimum at 200% of the operating budget. The fund balance is to be conservatively invested and the investment income is to be accumulated in the fund.

## **Internal Fund Adjustments**

In addition to an annual determination of the amount(s) of any and all Internal Funds, the Council may, by resolution and at any time, re-allocate or adjust the amounts of any and all Internal Funds, as the Council deems appropriate or necessary in keeping with the prudent and effective ongoing management of the Institute's financial affairs.

## **Investment and Management of Funds Balance**

The Treasurer shall, on the advice of and with assistance from external expertise as required, maintain and invest the Institute's Funds Balance in a prudent and effective manner, in accordance with the following:

- a) The fund's principle shall not be put at risk;
- b) The Institute's Funds Balance may only be invested in secure, low-risk financial instruments (in Canadian funds) offered through a Canadian financial institution that is insured under the Canada Deposit Insurance Corporation. Such investment(s) may be made with more than one appropriate financial institution as may be deemed prudent from time to time.
- c) No portion of the Institute's Funds Balance shall normally be invested for a term exceeding two years (24 months).
- d) No more than one-third (1/3) of the Institute's Funds Balance shall normally be invested for a term exceeding one year (12 months).
- e) No more than one-third (1/3) of the Institute's Funds Balance shall normally be invested as principal in any single financial instrument or investment.
- f) The investment and management of the Institute's Funds Balance shall be undertaken in a manner designed to ensure that the Institute's ongoing financial and operational requirements are appropriately met, while also ensuring the Institute's long-term financial stability.

## **Use of Reserves**

Use of the Reserves requires three steps:

### *1. Identification of appropriate use of Reserve Funds.*

The Council will identify the need for access to reserve funds (usually at the time of developing the budget) and confirm that the use is consistent with the purpose of the reserves as described in this Policy. This step requires analysis of the reason for the shortfall, the availability of any other sources of funds before using reserves, and evaluation of the time period that the funds will be needed and replenished. The need and justification will be included in any assessment of a proposed use of the fund.

### *2. Authority to use Reserve Funds.*

The Treasurer will submit a request to access funds from any of the Reserve Funds to the PEIIPP Council. The request will include the analysis and determination of the use of funds and plans for replenishment.

The Institute's goal is to replenish the funds used within twelve months to restore the Reserve Fund to the target minimum amount. If the use of Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The PEIIPP Council will approve or modify the request and authorize transfer from the fund.

### *3. Reporting and Monitoring.*

The Treasurer is responsible for ensuring that the Reserve Funds are maintained and used only as described in this Policy. Upon approval for the use of Reserve Funds, the Treasurer will maintain records of the use of funds and plan for replenishment, if required. They will provide regular reports to the PEIIPP Council of progress to replenish the Fund, if required.

### **Amending or Closing a Fund**

Amending or closing a Fund will require approval from the PEIIPP Council. A report from the Treasurer will be prepared for the Board with the justification for amending or closing the fund.

### **Policy Review**

Council shall review this policy every 2 years.

Approval by the Council: April 16, 2025