

IACP RESERVES POLICY

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1. Purpose

The purpose of the Reserves Policy of IACP Ltd. is to ensure the stability of the programs & training, employment and ongoing operations of the association, and to allow it to fulfil its mission statement.

The **Operating Reserve** is intended to provide an internal source of funds for situations such as a sudden and large increase in expenses, unanticipated loss of revenue, or any expenditure associated with unplanned closure of the organisation.

Operating Reserves are not intended to replace a permanent loss of funds or to eliminate any current year budget gaps. It is the intention of IACP for Operating Reserves to be held on secure deposit and to be used for the purpose(s) as described above.

The **Special Reserve** has been set up to specifically provide for large items of expenditure of strategic importance, and these will be decided at Board level on an annual basis at the time of budget approval.

The Reserves Policy will be implemented in tandem with the other governance and financial policies of IACP and is intended to support the goals and strategies contained in these policies and in the current IACP Strategic Plan.

2. Definitions and Goals

The **Operating Reserve** Fund is defined as a 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 the work of the association for a set period of time, measured in 12 month blocks. The Operating Reserve serves a dynamic role and will be reviewed and adjusted by the Board in response to internal and external changes.

The target minimum Operating Reserve Fund is equal to seven months of average operating costs (approximately €600k). The calculation of average monthly operating costs includes all recurring, predictable expenses such as salaries, pensions and other benefits, rent/rates, office costs, travel expenses, operational and other regular costs. The calculation of average monthly expenses may also include some smaller, one-off, capital purchases. Depreciation and other non-cash expenses are not included in the calculation.

The amount of the minimum Operating Reserve Fund target will be calculated each year during the approval of the annual budget, reported to the Finance & Risk Management sub-committee and to the Board of Directors, and included in the regular financial reports.

The **Special Reserve** will serve to provide funding for large or one-off expenditure on specific projects. These projects may change from year to year and it is at the discretion of the Board of Directors as to what projects are implemented and the amount of funding provided for them.

It is expected that an amount of €300,000 would be sufficient to be held for this purpose, although this can be reviewed up or down annually, depending on circumstances.

3. Duties of the Trustees

In publishing and holding this Reserves Policy, the Directors of IACP hold themselves to:

- Act in the interests of the association and its beneficiaries
- Protect and safeguard the assets of the association
- Act with reasonable care and skill in their function as a director

The directors of IACP have the ultimate responsibility in deciding the level of reserves to be held by the association, and the reasoning for holding these reserves. They will also review these levels during the year, through management accounts at monthly Board meetings, and at the time of setting the annual budget.

4. Accounting for Reserves

The Reserve Funds will be recorded in the financial records as a “Designated Operating Reserve” and “Special Reserve”. The Fund will be available in cash or cash equivalents. As both reserve funds are part of the Unrestricted Funds of the association, they will be co-mingled with the general cash and investment accounts of the organization. These Reserves are part of the Association’s unrestricted income fund that is freely available to spend on any of IACP’s purposes.

Restricted funds form a small percentage of the overall funds of the association (1.1% in 2016 audited financial statements).

5. Funding of Reserves

The Operating Reserve and Special Reserve Funds will be funded through surplus unrestricted operating income. The Board of Directors may from time to time direct that a specific source of revenue be set aside for Operating Reserves. Examples may include one-time gifts or bequests, special grants, or special appeals.

6. Use of Reserves

Use of the Operating Reserves requires three steps:

1. Identification of appropriate use of reserve funds.

The CEO and staff of IACP will identify the need for access to reserve funds 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 required and replenished.

2. Authority to use operating reserves.

The CEO and/or the Treasurer of the Board of Directors will submit a request to use Operating Reserves to the Finance & Risk Management sub-committee of the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The association's goal is to replenish the funds used within twelve months to restore the Operating Reserve Fund to the target minimum amount. If the use of Operating Reserves will take longer than 12 months to replenish, the request will be scrutinized more carefully. The F&RM sub-committee will approve or modify the request and recommend the request to the Board of Directors.

3. Reporting and monitoring.

The CEO and the Board of Directors are responsible for ensuring that the Operating Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Operating Reserve funds, the CEO and Finance Manager will maintain records of the use of funds and plan for replenishment. They will provide regular reports to the Finance Committee/Board of Directors of progress to restore the Fund to the target minimum amount, if required.

Use of the Special Reserve will require the same procedures as Operating Reserves.

7. Relationship to Other Policies

IACP shall maintain the following board-approved policies, which may contain provisions that affect the creation, sufficiency, and management of the Reserve Funds.

- Financial Policy
- Procurement Policy

8. Review of Policy

This Policy will be reviewed every year, at minimum, by the F&RM sub-committee, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the F&RM sub-committee to the Board of Directors.

The next review is due by 08 / 09 / 2018.

The next review is due by 08 / 09 / 2019.

1st Draft compiled by Finance Manager 16/08/2017.

Approved by Board 8th September 2017.

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