



**SGA/AGÉ FINANCIAL POLICIES &
PROCEDURES – CONTINGENCY RESERVE**



SGA/AGÉ FINANCIAL POLICIES & PROCEDURES

Title:		Contingency Reserve	
Category:		Financial Policy	
Ratified:	June 25th, 2018	Effective:	June 26th, 2018

RATIONALE

The purpose of this policy is to ensure financial stability from year to year for the SGA/AGÉ. This policy also allows recognition that there can be shortfalls in revenues and unexpected expenditures from year to year, that creating this reserve can help maintain company stability.

Budgeting to spend complete funds received in a year is not a responsible management decision. There can be shortfalls in revenue or unexpected expenditure that may arise. Planning for long-term and not just a year to year basis is an example of responsible management.

DETAILS

1. The funds must be spent on their designated purpose as with any trusteeship.
 - 1.1. The contingency fund is only to be used to cover significant shortfalls in revenues or for a major unbudgeted expenditure.
 - 1.2. Use of the contingency fund must be authorized by the SGA/AGÉ Board of Directors.
2. The SGA/AGE will maintain a minimum of \$200,000, which is equivalent to 20% of the operation's revenues, in a contingency fund which will support both operating and capital fund shortfalls.
 - 2.1. Therefore, the Board of Directors is required to set aside a minimum of 2% of the revenue from the governance fund each year to be added to the contingency fund.
 - 2.2. If the balance of the contingency fund falls below \$200,000, the Board of Directors must develop and approve a plan to re-establish the minimum contingency amount.