

PURPOSE:

The purpose of this policy is to define what constitutes the annual surplus, the intention for managing the surplus and the mechanism for creating a surplus fund, and the methods under which the fund is managed.

DEFINITIONS AND SCOPE OF POLICY

For the purposes of this policy, the Britannia's **annual surplus** is defined as an account containing the accumulated funds resulting from the previous fiscal years' activity.

The Society must consider current and future years' contractual and employer commitments as well as commitments to support initial development of programs or initiatives deemed to have strategic importance for the Society.

POLICY STATEMENT

The Society is committed to maintaining funds in assets and reserves sufficient for the protection of the Society's operations in the event of financial difficulties or to meet its contractual obligations in the event of closure of its operations.

As a federally-incorporated not-for-profit organization, the Society must spend its financial resources in support of its programs. It cannot operate as a for-profit venture that carries forward surplus funds from year to year, or it will not be able to maintain its status as a not-for-profit organization under the conditions of the Canada Not-for-Profit Corporation Act.

However, as a reflection of its responsibility to protect its operations from unforeseen circumstances, the Society maintains reserves and assets defined by strict criteria designed to maintain its not-for profit status while shielding it from financial setbacks. These reserves and assets have been identified as;

- Britannia Foundation;
- Development Funds, and;
- Various Reserves (Appendix A, Reserves Schedule)

When fortunate enough to operate in a manner that result in funds in excess of operational requirements, the Society retains these surplus funds to protect its ongoing operations and to underwrite activities consistent with the Society priorities and purpose.

The Society maintains surplus funds to provide:

- a source of funds to draw on in the event of an unexpected loss of revenues or unforeseen expenses;
- a source of revenue, through interest to support the activities of the Society;

- a source of funds to support start-up expenses for specific programs of strategic importance as approved by the Board; and
- a source of funds to draw on should the Society determine or be required to close its operations that is sufficient to cover all commitments including contractual and employer obligations, outstanding bills, and other related expenses.

Monies held in the asset and reserve accounts may be invested only in a portfolio of financial instruments consistent with the Britannia Investments Statement.

Annual surplus will be allocated in the following manner;

1. Surpluses generated in Britannia Childcare and Community Education will be accrued to the dedicated Reserves;
2. Reserve for the bus/van replacement to be established and maintained at \$40,000;
3. 75% of the remaining annual surplus to be allocated to a Facility Renewal Capital Fund, to be established and managed by the Britannia Foundation.
4. 15% of the remaining annual surplus to be placed in the discretionary reserve of which 10% is to be allocated to programming according to Board priorities and 5% to capital expenses.
5. 10% of the remaining annual surplus to be transferred to the Britannia Foundation for the legacy of the Society.

ACCOUNTABILITIES

Society Board members are bound by the BC Society Act and Britannia Code of Conduct and related policies when participating in Society business, declaring conflicts of interest, and maintaining confidentiality of information.

The Board of Directors reviews annual financial statements for assets and reserves accounts to ensure that it is in compliance with generally accepted accounting standards and this policy.

In particular, the President and the Treasurer take a leading role in implementing and monitoring the policy. The Manager of Administrative Services provides day-to-day management, oversight and monitoring of the assets and reserves to ensure that the Society is in compliance with the provisions of all related laws and Society policies.

Approved by the Board of Directors on April 13, 2016

APPENDIX A

Reserves Schedule

Reserves Britannia Child Care

Reserves Capital Britannia Child Care

Reserves Capital Asset Amortization Britannia Child Care

Reserves Community Education

Building Maintenance Reserves Community Place (CFEC)

Reserve Development Fund

Reserve Discretionary

Reserve Bus/Van

Reserve Capital

Reserve Capital Assets

Reserve Capital Asset Amortization