

ACA Reserves Policy

1. Introduction

The ACA aims to prudently manage the accumulation of operational surpluses that have resulted through yearly operations or unexpected windfalls.

2. Purpose

The purpose of the ACA Reserves Policy is to develop reserves capable of:

- Providing sufficient assets to help carry out the mission of the Association
- Providing contingency funds for unforeseen & unpredictable economic events in the Associations' financial status.
- Funding strategic initiatives.
- Safeguarding the value of assets including the long-term requirements of the building.

3. Composition of ACA Reserves

Three reserves are to be maintained comprising:

- i. The reserves required to fund day-to-day business known as the Working Capital Reserve.
- ii. The reserves set aside to cover unforeseen circumstances or strategic opportunities known as the General Reserve.
- iii. The reserves required to fund future costs for the maintenance of the building known as the Building Reserve.

4. Working Capital Reserve

The Working Capital Reserve is a reserve established to ensure that at all times the ACA has sufficient funds to meet the needs of its day-to-day business operations.

The Working Capital Reserve is to have a matched bank account(s) that at all times holds sufficient cash to meet the needs of the reserve.

A preferred reserve level to govern the Working Capital Reserve is as follows:

- The preferred level of Working Capital Reserve is to be equal to 3 months of total overhead expenditure as budgeted for the ensuing year excluding non cash expenses.
- For example in 2017 budgeted overheads is \$1,117,226 which equates to 3 months (i.e. \$279,306).

5. General Reserve

The General Reserve is a reserve established to provide ACA with the capacity to respond to unanticipated circumstances or to take advantage of strategic opportunities that may arise.

A preferred reserve level is used to govern the General Reserve as follows:

- The preferred level of the General Reserve be equal to at least 6 months of total overhead expenditure as budgeted for the ensuing year excluding non-cash expenses.
- For example in 2017 budgeted overheads is \$1,117,226 which equates to 6 months (i.e. \$558,613).

6. Building Reserve

The Building Reserve is a reserve set up to ensure that at all times the ACA is setting aside sufficient funds to meet its future requirements. As the building ages there will be a requirement to spend significant capital to ensure it is maintained at an appropriate level.

A preferred reserve level is used to govern the Building Reserve as follows:

- The preferred level of the Building Reserve is to be equal to the accumulated depreciation for the building.

7. Related Policies

The General Reserve and Building Reserve is to be fully invested as determined by the Audit, Finance & Risk Committee in accordance with the ACA Investment Policy.

8. Policy History and Version Control

The ACA Reserves Policy will be reviewed every three years.

Version	Reviewed By	Reviewed	Approved By	Date Approved
1.0	Audit, Finance & Risk Committee	6 th July	Board	19 th August 2017