DECISION ITEM
BOARD/COMMITTEE: **BOARD OF DIRECTORS**
MEETING DATE: **June 18, 2025**
AGENDA ITEM: **Update to Reserve Balances and Reserves Policy**
SPONSOR: **Finance Committee**

RECOMMENDATION:

The Finance Committee recommends that the Board authorize:

- **a transfer of $300,000 from the Capital Asset Reserve to the Operating Reserve, effective March 31, 2025;**
- **a transfer of $720 from the Newcomer Emergency Reserve to the Operating Reserve; and,**
- **an amendment to the Board's policy on reserves to reduce the stated balance of the Capital Asset Reserve from $500,000 to $200,000 as at March 31, 2025.**

SUMMARY OF KEY ISSUES:

- RODS' real estate properties were approved for sale by the Board on October 30, 2024 and April 1, 2025.
- RODS' capital assets had a carrying value of $2.3 million at March 31, 2025, however this will decline to $0.2 million following the dispositions of RODS' real estate properties. RODS' remaining capital assets will consist mainly of information technology assets and office equipment, furniture and fixtures.
- RODS' operations are not capital intensive. Capital asset acquisitions for 2024-25 were only $53,722, and only $58,000 was included in the 2025-26 budget. These amounts are expected to approximate the level of capital asset acquisitions to be incurred in future years. Nevertheless, it is prudent to maintain a small reserve for asset acquisitions to recognize the potential for fluctuations in funding and in yearly requirements.

BACKGROUND AND ANALYSIS:

The Board's reserve policy appears in section C-IX of the Governance Policy Manual. The proposed amended wording for the reserve policy appears in the Appendix.

ALTERNATIVE:

Leave the capital asset reserve at $500,000. This is not recommended because the amount is far higher than RODS would ever expect to need for unfunded capital expenditures.

Leave the newcomer emergency reserve at $50,000. This is not recommended because it makes it more difficult to see the drawdowns that have occurred in this balance.

ADVANCED CONSULTATION: N/A

COMMUNICATION STRATEGY: N/A

REQUIRED APPROVALS: Board of Directors

STRATEGIC ALIGNMENT: S1: improve relationships with funders for long-term funding

TIMEFRAME/CONSEQUENCES OF DEFERRING DECISION: A reserve is just an accounting allocation that is intended to demonstrate a Board's intentions with respect to unspent funds. Making the change at this time allows the March 31, 2025 audited financial statements to better reflect the Board's intentions with respect to reserves.

APPENDIX

Excerpt from the Board policy manual (Section C-IX):

The Capital Asset Reserve

The Capital Asset Reserve is intended to provide an internal source of funds for major capital upgrades to existing capital assets as well as financing for the acquisition of real estate, furniture and equipment deemed necessary to effectively operate RODS' programs. The Capital Asset Reserve is not intended for use with respect to routine repairs and maintenance and other amounts that do not qualify as capital assets pursuant to Canadian generally accepted accounting standards for not-for-profit organizations.

The target balance for the Capital Reserve shall be $500,000 unless otherwise determined by RODS' Board of Directors.

Proposed Wording:

The Capital Asset Reserve

The Capital Asset Reserve is intended to provide an internal source of funds for ~~major~~ ~~capital~~ upgrades to existing capital assets as well as financing for the acquisition of ~~real estate, furniture and equipment~~ capital assets deemed necessary to effectively operate RODS' programs. The Capital Asset Reserve is not intended for use with respect to routine repairs and maintenance and other amounts that do not qualify as capital assets pursuant to Canadian generally accepted accounting standards for not-for-profit organizations.

The target balance for the Capital Reserve shall be ~~$500,000~~ $200,000 unless otherwise determined by RODS' Board of Directors.