DECISION ITEM
BOARD/COMMITTEE: BOARD OF DIRECTORS
MEETING DATE: May 27, 2026
AGENDA ITEM: Update to Reserve Balances and Reserves Policy

RECOMMENDATION:

The Finance Committee recommends that the Board:

- **Approve the attached amendments to the reserves policy, including:**
  - **establishing a new reserve to be called the "Community Initiatives Reserve" to indicate funds available to RODS for activities beyond the scope of externally funded activities; and,**
  - **capping the balance of the Operating Reserve at the greater of: i) $1,000,000, or ii) 30 days of operating costs calculated in accordance with the amended reserves policy.**
- **transfer $300,000 to the Capital Asset Reserve from the Operating Reserve, thereby increasing the balance to $500,000; and,**
- **amend the disclosure of reserves on the statement of financial position and the statement of changes in net assets by consolidating internally restricted amounts.**

All of the above changes would be applied to the March 31, 2026 audited financial statements.

SUMMARY OF KEY ISSUES:

- Changes are proposed to RODS' reserves policy. The key changes are:
  - capping the Operating Reserve at a formula-based amount in recognition of RODS' limited need for operational reserves; and
  - establishing a Community Initiatives Reserve as an umbrella for reserves that have not been otherwise restricted for any other purpose.
- RODS' Capital Asset Reserve was reduced to $200,000 at March 31, 2025 in response to the Board's decision to sell its real estate properties. This decision has since been reversed, so it is now prudent to increase the capital reserve to a level that more closely reflects potential improvements to be made to the Smith Street property. **Approving an increase to the Capital Asset Reserve DOES NOT APPROVE SPENDING FUNDS. Any capital improvements to the Smith Street property are subject to separate approval by the Board.**

- The disclosure of internally restricted reserves in RODS' annual financial statements will be amended to simplify how amounts are presented and to enable the creation of additional reserves within the Community Initiatives umbrella without adding undue complexity to the financial statements.

BACKGROUND AND ANALYSIS:

The proposed reserve policy appears in Appendix A. The existing policy is Appendix B.

Capping the Operating Reserve

RODS has used its Operating Reserve as the default catch-all for surpluses for which it has no specific plan. Following at least 20 consecutive years of surpluses, the Operating Reserve has grown from $714k in 2008 to $2,813k at March 31, 2025.

The need for a large Operating Reserve at RODS is unclear. RODS' business model is based on spending dollars that can be recovered from the federal and provincial governments. This fee-based business model (as opposed to grant funding) gives RODS significant immunity from the risk of meaningful operating deficits.

Thus, the long-term growth of the Operating Reserve has not been based on necessity; instead it reflects a long-term lack of engagement on the management of reserves.

The determination of an appropriate operating reserve for RODS would incorporate several considerations (see Appendix C). The medium term forecast for RODS anticipates operating costs (net of rent, daycare and amortization) of about $9,000,000 per year, so a reserve of $1,000,000 would cover 40 days of costs. This is comparable to the amount already retained by RODS to meet payroll and other operating obligations.

Establishment of the Community Initiatives Reserve

In January 2026, the Board held a Board retreat that culminated in the development of a strategy map. The map included several goals that looked beyond RODS' recent role of delivering programs for governments. This is particularly apparent in the "three-year impact goals and objectives":

5.1 Programs & Services
5.1.1 Expand programming to address core service and client gaps
5.1.2 Launch a pilot program incorporating non-newcomers
5.1.3 Implement youth and employment bridging services
5.1.4 Perform a feasibility assessment for women-focused programming

5.2 Partnerships
5.2.1 Launch a partnership strategy
5.2.2 Launch an Indigenous partnership strategy

5.3 Community Engagement
5.3.1 Implement communication/brand awareness activities
5.3.2 Launch a community engagement strategy

The establishment of a reserve for meeting these objectives earmarks potential funding for future initiatives in pursuit of these goals.

The Community Initiatives Reserve would serve as an umbrella that could provide support for multiple activities. Any activities achieving sufficient scale could become separate reserves if desired.

Beginning in 2026-27, the Community Initiatives Reserve would become the default reserve for absorbing annual surpluses. Historically, this role had been played by the Operating Reserve.

Growing the Capital Asset Reserve

RODS' Capital Asset Reserve was reduced to $200,000 at March 31, 2025 in response to the Board's decision to sell its real estate properties. This decision has since been reversed, which makes it prudent to increase the capital reserve to a level that more closely reflects potential improvements to be made to the Smith Street property. Approving an increase to the Capital Asset Reserve DOES NOT APPROVE SPENDING FUNDS. Any capital improvements to the Smith Street property are subject to separate approval by the Board.

Consolidating Internally Restricted Reserves in Audited Financial Statements

RODS has historically disclosed its internally restricted reserves individually in its financial statements. There is no generally accepted standard for this: reserves can be disclosed individually or in aggregate. If reported in aggregate, disclosure of individual reserves typically appears in the notes to the financial statements.

RODS' historical disclosure is excessive and leaves little room for the creation of new reserves. Appendix D recommends adopting an aggregated disclosure for internally restricted reserves. This is a common approach, and excerpts from the disclosure of The Institute of Chartered Professional Accountants of Saskatchewan is provided as an example.

ALTERNATIVES:

The three decisions in this document are independent from each other. Any one (or two) can be done without affecting the other. They have simply been grouped for expedience.

With respect to the establishment of the Community Initiatives Reserve and the proposed disclosure changes, the primary alternative is the status quo, although the Board can request further study of these issues.

With respect to increasing the balance of the Capital Asset Reserve, alternatives include the status quo or any other amount.

ADVANCED CONSULTATION:

None.

COMMUNICATION STRATEGY:

RODS' external auditor will be advised of any changes prior to the publishing of the March 31, 2026 financial statements.

REQUIRED APPROVALS:

Board of Directors.

STRATEGIC ALIGNMENT:

Section 5.0 of the strategy map.

TIMEFRAME/CONSEQUENCES OF DEFERRING DECISION:

A reserve is merely an accounting allocation that demonstrates a Board's intentions for unspent funds. Approving the change at this time allows the March 31, 2026 audited financial statements to better reflect the Board's intentions with respect to reserves.

APPENDIX A: DRAFT POLICY

NAME OF POLICY: Reserves Policy

CONSTITUTION AND OTHER REFERENCES:

APPROVAL DATE:

Purpose

The purpose of the Reserves Policy is to ensure the stability of the mission, programs, employment and ongoing operations of RODS and to provide a source of internal funds for organizational priorities such as capital investments, program opportunities and capacity building.

List of Reserves

RODS' reserves consist of:

1. An Operating Reserve
2. A Capital Asset Reserve
3. A Newcomer Emergency Reserve
4. A Community Initiatives Reserve

The Operating Reserve

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, an unanticipated loss in funding, or uninsured losses. It can also be used opportunistically to further the mission of RODS in circumstances where there may be little or no expectation of near-term incremental revenue.

The Operating Reserve is not intended to replace a permanent loss in funding or an ongoing budget gap associated with legacy programs.

When the Operating Reserve is utilized, it is the intention to restore the it to its target balance within a reasonably short period of time.

The target balance for the Operating Reserve is the greater of:

- 30 days of cash operating expenses, excluding rent and daycare costs; and
- $1,000,000.00

Capital outlays and amortization are excluded from the calculation. Cash operating expenses are calculated based on the audited financial statements of the most recently completed fiscal year.

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.

The Newcomer Emergency Reserve

The Newcomer Emergency Reserve is intended to provide for emergency short-term financial needs of newcomers to Regina who lack access to necessary funding. The Newcomer Emergency Reserve is intended solely for emergency transition support involving costs for which there is a reasonable expectation that such costs would not qualify for reimbursement from funders under current programs.

Eligible newcomers include immigrants and refugees who reside or intend to reside in the Regina Census Metropolitan Area and would not normally include individuals who have not arrived for the purpose of post-secondary education or pursuant to a temporary employment agreement.

Amounts approved by the Board for inclusion in the Newcomer Emergency Reserve will be treated as a "revolving" authority. This means that management does not need Board approval for individual expenditures as long as the reserve contains sufficient funds to meet the expense.

Management must provide a report to the Board at least annually which details the nature of the major revenue and expenditure activity of the Reserve since the prior report.

The Community Initiatives Reserve

The Community Initiatives Reserve is intended to support RODS' activities that extend beyond the scope of programs fully funded by the federal or provincial governments. The initiatives funded by this reserve are intended to broaden RODS' community impact. Where possible, such programs will leverage resources of other parties through collaborative efforts.

Management must provide a report to the Board at least annually which details the nature of the major revenue and expenditure activity of the Reserve since the prior report.

Financing of Reserves

For financing purposes, reserves will be notional accounting balances rather than funded pools of cash and investments. In other words, RODS' reserves will be comingled with other funds to enable the availability of assets regardless of cyclical or seasonal fluctuations in liquidity.

Authorization for Utilizing Reserves

Reserves are to be increased or decreased at the discretion of the Board of Directors. In addition, the Board will decide annually on the allocation of the current year surplus or deficit to reserve funds and unrestricted net assets.

Requests by management to utilize reserves should be approved by the Executive Director before proceeding to the Board. Requests should include an analysis of the need for the funds as well as support for the amount being requested, and plans, if any, for the replenishment of the reserve. Requests may be initiated at either the Finance Committee or the Executive Committee, but must ultimately be approved by the Board. Management should report annually (or more frequently if directed by the Board) regarding the utilization of funds appropriated from reserves.

APPENDIX B: EXISTING RESERVES POLICY

NAME OF POLICY	C-IX: Reserve Policy	
CONSTITUTION REFERENCES	*The Non-profit Corporations Act, 2022,*	
APPROVAL DATE: FEBRUARY 28, 2024	Reviewed: April 24, 2025	Revised: April 30, 2025

I. Purpose

The purpose of the Reserves Policy is to ensure the stability of the mission, programs, employment and ongoing operations of RODS and to provide a source of internal funds for organizational priorities such as capital investments, program opportunities and capacity building.

II. List of Reserves

RODS' reserves consist of:

A. a Contingency Reserve (a reserve that pertains to operations);

B. a Capital Improvements Reserve (a reserve for the acquisition of capital assets); and,

C. a Newcomer Emergency Reserve

III. The Operating Reserve

The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, an unanticipated loss in funding, or uninsured losses. It can also be used opportunistically to further the mission of RODS in circumstances where there may be little or no expectation of near-term incremental revenue.

If Operating Reserve is not intended to replace a permanent loss in funding or an ongoing budget gap associated with legacy programs.

When the Operating Reserve declines below the target minimum balance, RODS will attempt to restore it to its target balance within a reasonably short period of time.

The target balance for the Operating Reserve is 45 days of non-daycare and non-rent cash operating expenses. Capital outlays and related amortization are excluded from the calculation. Cash operating expenses are calculated based on the audited financial statements of the most recently completed fiscal year.

IV. 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.

V. The Newcomer Emergency Reserve

The Newcomer Emergency Reserve is intended to provide for emergency short-term financial needs of newcomers to Regina who lack access to the necessary funding. The Newcomer Emergency Reserve is intended solely for emergency transition support involving costs for which there is a reasonable expectation that such costs would not qualify for reimbursement from funders under current programs.

Eligible newcomers include immigrants and refugees who reside or intend to reside in the Regina Census Metropolitan Area and would not normally include individuals who have arrived for the purpose of post-secondary education or pursuant to a temporary employment agreement.

Amounts approved by the Board for inclusion in the Newcomer Emergency Reserve will be treated as a "revolving" authority. This means that management does not need Board approval for individual expenditures as long as the reserve contains sufficient funds to meet the expense.

Management must report to the Board at least annually regarding the nature of the major revenue and expenditure activity of the Reserve since the prior report.

VI. Financing of Reserves

For financing purposes, reserves will be notional accounting balances rather than held as segregated pools of cash and investments. In other words, RODS' reserves will be combined with its other cash balances, as has always been the case. This enables the most efficient use of assets by having them available to meet funding requirements regardless of cyclical or seasonal fluctuations in liquidity.

VII. Authorization for Utilizing Reserves

Reserves may be increased or decreased at the discretion of the Board of Directors. In addition, the Board will decide annually on the allocation of the current year surplus or deficit to reserve funds and unrestricted net assets.

Requests by management to utilize reserves should be approved by the Executive Director before proceeding to the Board. Requests should include an analysis of the need for the funds as well as support for the amount being requested, and plans, if any, for the replenishment of the reserve. Requests may be initiated at either the Finance Committee or the Executive Committee, but must ultimately be approved by the Board.

Management should report annually, or more frequently at the request of the Board, on the utilization of funds appropriated from reserves.

Policy approved by the Board of Directors on February 28, 2024, Motion #17

APPENDIX C: OPERATIONAL RESERVES

Factor	Short-term Operational Vulnerability [1] Low	Average	High	Comments
Fee-for-service vs grant funding	X			*** Does funding fluctuate with program delivery? ***
Contractually established revenue	X			*** Do funders have contractual financial committments to the program(s)? ***
Existence of multi-year funding	X			*** Annual vs. longer term grant approvals ***
Capitalization of funders	X			*** Do funders have deep pockets & are they creditworthy? ***
Scalability of costs	X			*** Can RODS adjust its spending on relatively short notice? ***
Environmental considerations of the programs		X		Are the programs threatened by recent developments in their environment?
Commitment of funders		X		Do funders have a history of being committed to the program(s), or are they pilot programs?
Diversity of funders			X	How dependent is the entity on a single funder?
Diversity of programs		X		How dependent is the entity on a single program?
Reliability of funders			X	Are funders dependable?
Seasonality/cyclicality of operations	X			Is there much in-year variability in activities?
Availability of salable assets	X			Smith Street land and building
Existence of private sector competitors or substitute service providers		X		Can the entity's services be easily replaced by other providers?
Program cyclicality/growth profile		X		Is demand for the entity's services growing?
Origin of reserves	X			How did the reserves originate? Were they earned by RODS (e.g. donations) or are they cumulative excess slippage of money from funders?

[1] A high level of vulnerability suggests the need for larger operational reserves.

Conclusion:

The above table considers RODS' short-term operational vulnerability using various criteria. Of these criteria, the ones highlighted in green are of particular importance.

The analysis is important because there is a trade-off between RODS' potential requirement for short-term funding and its ability to apply funds to puruse other aspects of its mission. The time horizon for requiring funds also has implications for how surplus funds are invested and the returns that they can be expected to generate.

These criteria suggest that RODS' short-term operational vulnerability is relatively low, which suggests that large operational reserves are not required.

APPENDIX D: DISCLOSURE OF RESERVES ON RODS' STATEMENT OF FINANCIAL POSITION

Actual disclosure, 2025:

	2025	2024
Net assets:		
Invested in capital assets	1,706,307	1,860,703
Internally restricted - capital asset reserve (note 10)	200,000	500,000
Internally restricted - newcomer emergency reserve (note 10)	49,280	50,000
Internally restricted - operating reserve (note 10)	2,813,571	2,512,851
Unrestricted net assets	898,642	593,910
	5,667,800	5,517,464

Proposed disclosure, 2026:

	2025	2024
Net assets:		
Invested in capital assets	1,706,307	1,860,703
Internally restricted net assets (note 10)	3,062,851	3,062,851
Unrestricted net assets	898,642	593,910
	5,667,800	5,517,464

Conclusion: the proposed disclosure is more succinct, and will not add clutter to the balance sheet if RODS decides to establish new reserves.

APPENDIX D (cont.): DISCLOSURE OF RESERVES ON RODS' STATEMENT OF CHANGES IN NET ASSETS

Presentation format used by The Institute of Chartered Accountants of Saskatchewan:

THE INSTITUTE OF CHARTERED PROFESSIONAL ACCOUNTANTS OF SASKATCHEWAN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2025

	Investment in tangible capital assets	Internally restricted net assets	Unrestricted surplus	Mar 31, 2025 Total	Mar 31, 2024 Total
Opening balance	$ 183,100	$ 516,500	$ 3,050,900	$ 3,750,500	$ 3,855,100
Excess (Deficiency) of revenues over expenses	-	(7,800)	300,400	292,600	(104,600)
Amortization	(78,200)	-	78,200	-	-
Purchase of tangible capital assets	19,500	-	(19,500)	-	-
Transfer of net assets (note 5)	-	200,000	(200,000)	-	-
Ending balance	$ 124,400	$ 708,700	$ 3,210,000	$ 4,043,100	$ 3,750,500

APPENDIX D (cont.): DISCLOSURE OF RESERVES ON RODS' STATEMENT OF CHANGES IN NET ASSETS

Current presentation used by RODS versus proposed presentation based on The Institute of Chartered Accountants of Saskatchewan:

CURRENT PRESENTATION: STATEMENT OF CHANGES IN NET ASSETS:

	Invested in capital assets	Internally retricted capital asset reserve (note 10)	Internally retricted newcomer emergency reserve (note 10)	Internally retricted operating reserve (note 10)	Unrestricted net assets	2025 **Total**	2024 **Total**
Balance, beginning of year	1,860,703	500,000	50,000	2,512,851	593,810	5,517,364	5,382,350
Excess of revenue over expenses	---	---	---	---	150,336	150,336	135,114
Purchase of capital assets	53,722	---	---	---	-53,722	---	---
Amortization of capital assets	-297,997	---	---	---	297,997	---	---
Amortization of deferred contributions related to capital assets (note 8)	89,879	---	---	---	-89,879	---	---
Interfund transfers (note 10)	---	-300,000	-720	300,720	---	---	---
Balance, end of year	1,706,307	200,000	49,280	2,813,571	898,542	5,667,700	5,517,464

PROPOSED PRESENTATION: STATEMENT OF CHANGES IN NET ASSETS:

	Invested in capital assets	Internally retricted net assets (note 10)	Unrestricted net assets	2025 **Total**	2024 **Total**
Balance, beginning of year	1,860,703	3,062,851	593,910	5,517,464	5,382,350
Excess (Deficiency) of revenues over expenses	---	---	150,336	150,336	135,114
Purchase of capital assets	53,722	---	-53,722	---	---
Amortization of capital assets	-297,997	---	297,997	---	---
Amortization of deferred contributions related to capital assets (note 8)	89,879	---	-89,879		
Interfund transfers (note 10)	---	---	---	---	---
Balance, end of year	1,706,307	3,062,851	898,642	5,667,800	5,517,464