



4.13 Financial Reserves

1. Introduction

- 1.1 The Building Officials' Association of BC (Association) is committed to maintaining reserve funds that provide financial security or address large or unexpected expenditures.

2. Policy Objective

- 2.1 The purpose of the policy is to ensure that there is appropriate oversight and management of funds that the Association holds outside of its annual budget to provide financial security and undertake significant projects that cannot be funded through the annual budget alone.

3. Authority

- 3.1 This policy is established under authority of section 9 of the Building Officials' Association Act.

4. Scope

- 4.1 This policy applies to employees, contractors, and volunteers of the Association.

5. Definitions

- 5.1 *Act* means the Building Officials' Association Act.
- 5.2 *Association* means the Building Officials' Association of British Columbia.
- 5.3 *bylaws* means the bylaws adopted by the members of the *Association*.
- 5.4 *employee* means a person engaged by the *Association* to perform a service in accordance with an employment agreement.
- 5.5 *Executive* means the Executive Committee as defined in section 1 of the Building Officials' Association Act.
- 5.6 *Executive Director* means the Executive Director of the *Association* as appointed by the *Executive*.
- 5.7 *Investment Manager* means a firm that is retained by the Executive to manage investments held by the *Association*.
- 5.8 *President* means the President of the Association as set out under section 7 of the *Act*.
- 5.9 *reserve* is a fund set aside by the *Executive* and that is held outside of and separate from the annual budget to provide financial security, cover unexpected expenditures, or support specific initiatives in alignment with the Association's mission and strategic priorities.
- 5.10 *Treasurer* means the *Treasurer* of the *Association* appointed by the *Executive* pursuant to section 7 of the *Act*.



6. Policy

General

- 6.1 The *Executive* is responsible for overseeing and maintaining *Association reserves*.
- 6.2 The *Executive* must approve, by motion, any transfer of funds to or from any *reserve*.
- 6.3 Each *reserve* will be held in its own bank account or specified investment funds and will be identified individually on the balance sheet in the annual *Association* financial statements.
- 6.4 Any expenditures from a *reserve* are subject to the bylaws, policies, and financial controls of the Association.

Restricted Reserve

- 6.5 The *Executive* must establish and maintain a restricted *reserve*.
- 6.6 The restricted *reserve* is established to provide funds for fulfilling obligations associated with dissolving and winding down operations of the *Association*.
- 6.7 The restricted *reserve* must hold funds that are equal to approximately one-third of the total expenses in the most recent annual *Association* financial statements approved by the *Executive*.
- 6.8 The amount of funds in the restricted *reserve* will be calculated and provided to the *Executive* as part of the annual Association budgeting process.
- 6.9 If the restricted *reserve* does not satisfy section 6.7., the *Executive* must establish a plan to replenish the restricted *reserve* so that it does satisfy section 6.7. within three fiscal years.

Strategic Reserve

- 6.10 The *Executive* must maintain a strategic *reserve*.
- 6.11 The strategic *reserve* is established to fund:
 - 6.11.1 significant projects, such as developing new programs or IT systems; or
 - 6.11.2 offset unanticipated expenditures or revenue shortfalls.
- 6.12 Funds held in the strategic *reserve* should not exceed the total revenue for the last fiscal year as stated in *Association* financial statements approved by the *Executive*.
- 6.13 A request to use funds from the strategic *reserve* must be presented to the *Executive*:
 - 6.13.1 as part of the draft annual budget for approval each year by the Finance Committee; or
 - 6.13.2 through a recommendation from the Finance Committee.
- 6.14 A request submitted pursuant to section 6.13 must include:
 - 6.14.1 a rationale for spending strategic *reserve* funds;
 - 6.14.2 an assessment of alternatives to spending strategic *reserve* funds;
 - 6.14.3 a plan and forecast for replenishing the strategic *reserve*.
- 6.15 A portion of any surplus shown on the year-end financial statements approved by the *Executive* must be allocated to the strategic *reserve*.



Special Reserve

- 6.16 The *Executive* may, by motion, establish a special *reserve* to hold funds for a specific purpose.
- 6.17 The *Executive* must establish direction for the governance, management and use of a special *reserve*.

Investing Reserves

- 6.18 The *Executive* may invest *reserve* funds in a manner that optimizes financial returns but preserves capital and limits financial risk to the *Association*.
- 6.19 The *Executive* must approve any investment of funds held in *Association reserves*.
- 6.20 The *Executive* may only invest funds held in the restricted *reserve* in conservative and low-risk accounts that preserve the initial capital.
- 6.21 Interest generated from *Association* investments must be allocated to the strategic reserve within 90 days of the *Executive* approving the *Association's* financial statements for the prior fiscal year.
- 6.22 The *Executive* must review all investments held by the *Association* each year.
- 6.23 The *Executive* may retain an *Investment Manager* to manage the investment portfolio.
- 6.24 If *Investment Manager* fails to adhere to this policy, the *Executive* may terminate the *Association's* use of the *Investment Manager's* services.

7. Related Policies and Procedures

- 7.1 Policy 4.11 – Annual & Five-Year Budget
- 7.2 Policy 4.16 – Financial Reporting
- 7.3 Policy 4.18 – Refunds
- 7.4 Policy 4.20 – Signing Authority

8. Version History

| DATE | DESCRIPTION |
|--------------|-------------------------|
| May 11, 2025 | New policy established. |