



## AFL MASTERS CASH RESERVE POLICY

Effective 25 May 2024

### **Effective from**

25 May 2024

### **Applicable to**

This policy is applicable to AFL Masters Inc.

### **Purpose**

The purpose of the Cash Reserve Fund for AFL Masters Inc is to help ensure the long-term ability of the organisation to meet its mission. AFL Masters will maintain the reserve to achieve the following objectives:

- To create an internal line of credit to manage cash flow and maintain financial flexibility
- To enable the organisation to sustain operations through delays in payments of committed funding
- To pay for one-time, non-recurring expenses that will build capacity

The Cash Reserve Fund is not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. It is the intention of AFL Masters for reserves to be used and replenished within a year.

### **Definitions & Goals**

The Cash Reserve Fund is defined as funds set aside by action of the National Board. Its ongoing operation and oversight is delegated to the General Manager.

### **Target Minimum Amount**

The minimum amount to be designated for the Reserve will be established as an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. The Reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Cash Reserve Fund is equal to \$115,000, representing twelve months of wages.

### **Funding Reserves**

To establish the Cash Reserve Fund, the AFL Masters Board of Directors has designated \$115,000 of existing accumulated liquid unrestricted net assets as the beginning balance of the fund.

The amount of the Cash Reserve Fund target minimum will be calculated each year as part of the annual budgeting process. This amount will be reported to the National Board and included in the regular financial reports. The Cash Reserve Fund will be funded annually a) with surplus unrestricted operating funds or b) as an expense included in the organisation's annual budget. The National Board may from time to time direct that a specific source of revenue be set aside for its reserves.

### **Investing Reserves**

The Cash Reserve Fund will be funded and available in cash or cash equivalent funds, in accordance with the risk preferences, liquidity needs and investment objectives of the organisation.

Where possible, the Cash Reserve Fund will be maintained in an interest-bearing bank account. Policies and procedures for handling deposits, reconciling statements, safeguarding access and will be the same as for any of the organisation's other bank accounts.

### **Shortfalls**

If the Reserve is and has been less than 30% of the target reserve minimum for two consecutive years, the Board of Directors will adopt an operational budget with a projected surplus sufficient to rebuild the Cash Reserve Fund to its targeted reserve level over a prescribed number of years.

### **Accounting for Reserves**

The Cash Reserve Fund will be listed separately in the unrestricted net assets section of the organisation's statement of financial position as "Board-Designated Reserve" and the status of borrowings from the reserve will be reported in financial reports to the board.

### **Using Reserves**

The General Manager will identify reasons for accessing the reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Policy. As a part of this process, the General will do the following:

- Analyse the reason for the needed funds;
- Assess the availability of any other sources of funds before using reserves (e.g. line of credit); and
- Evaluate the time period that the funds will be required, and then replenished.

The General Manager may access the reserves for purposes as outlined above, as long as sufficient funds are available to repay such usage within twelve months' time.

The Executive Director will submit a request to the National President in writing, which will include the analysis and determination of the use funds and plans for replenishment (as outlined above). The National President will approve in writing or modify the request and

authorize transfer from the fund. Email is an acceptable form of notification and acknowledgment.

#### **Borrowing from Reserves**

Any funds borrowed from the Cash Reserve Fund for longer than twelve months will be paid back through a prescribed repayment schedule. The General Manager shall request approval of any such usage and the proposed repayment schedule from the National Board. If approved, such disbursement shall be reported at the next full board meeting. At any time that a borrowing from the Reserve is outstanding, the status of the borrowing and payments made will be reviewed at Board meetings.

A draw-down from the fund that cannot be replaced in the timeframe established above must be approved by a majority of the Board, either by a majority of the votes of quorum present at a regular National Board meeting, or by a two-thirds majority of the Board if such vote is conducted by other means. A record of such action will be maintained and be made a part of the Board meeting minutes.

#### **Monitoring & Reporting**

The General Manager is responsible for ensuring that the Cash Reserve Fund is maintained and used only as described in this Policy. Upon approval for the use of Reserve, the Executive Director and finance staff will maintain records of the use of funds and plan for replenishment. The General Manager will provide regular reports to the National Board of progress to restore the fund to the target minimum amount.

#### **Review of Policy**

This policy will be reviewed every two years, by the General Manager, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended by the General Manager to the National Board of Directors.

Revised 25 May 2024