

## **POLICY & PROCEDURES**

### **FIN-02: RESERVE ACCOUNTS**

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#### **PREAMBLE**

Physiotherapy Education Accreditation Canada (PEAC) recognizes that it must align the resources of the Corporation, not only to meet its obligations associated with the ongoing operations of PEAC and the Occupational Therapist Assistant and Physiotherapist Assistant Education Accreditation Program (OTA & PTA EAP) but also to meet any extraordinary financial demands faced by the organization. PEAC derives its revenue primarily from accreditation fees, administration fees, and from other stakeholder organizations through letters of agreement. It is a recommended financial procedure to establish funds that are specific for financial reserves, to ensure that funds are available on a contingency basis should the need arise. The Board of Directors, while being accountable to the Members, has the authority to supervise, control and direct the financial affairs of the Corporation.

#### **1.0 POLICY**

- 1.1. The Board has the responsibility to establish reserve accounts as necessary for PEAC and OTA & PTA EAP operations.
- 1.2. Reserve accounts shall be conservative in risk tolerance and high in liquidity
- 1.3. PEAC shall maintain two reserve accounts that are allocated for contingency purposes. The purpose of the contingency accounts is to:
  - Ensure there are funds to cover the winding down of PEAC's and the OTA & PTA EAP's operations, should it become necessary; and that all financial and legal obligations are met at the time of dissolution; or
  - To cover any unexpected or extraordinary expenses.
- 1.4. The amount to be maintained in each of the contingency accounts is to equate at least six months' worth of the respective program's annual operating expenses.

#### **2.0 PROCEDURES**

- 2.1. An amount equal to at least 2% of each program's annual revenues will be allocated in each program's budget for the contingency accounts.
- 2.2. The amount will be transferred to the contingency accounts in March of the following year following approval of year end financials.
- 2.3. In years where there is an operational deficit as identified in year-end financial reports, no contribution will be made to the program's contingency account.

- 2.4. Until such time as the maximum recommended amount is allocated to the contingency account, any excess revenue over expenditures in the general operating accounts at the end of the fiscal year as identified in the year end financials shall be deposited in the contingency account in March of the following year.
- 2.5. Once the recommended amount is allocated to the contingency account, the Board may consider the establishment of additional special accounts for PEAC and OTA & PTA EAP operations, for example, a legal defense reserve
- 2.6. The Board has the sole authority to:
- increase or decrease the target levels for each of its reserve accounts
  - allocate or reallocate funds annually among the established reserve accounts
  - establish new reserves as it deems appropriate

<b>Policy Number: FIN-02</b>	
Date of last revision	Associated documents
<i>July 2005</i>	Financial Framework
<i>Dec 2006</i>	
<i>Sept 2007</i>	
<i>Feb 2009</i>	
<i>Dec 2009</i>	
<i>Jan 2011</i>	
<i>June 2013</i>	
<i>February 2018</i>	