



Carlow Arts Festival CLG [Reserves Policy]

I. PURPOSE

The purpose of this Reserves Policy for Carlow Arts Festival CLG is to build and maintain an adequate level of unrestricted net assets to support the organization's day-to-day operations in the event of unforeseen shortfalls. The reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure as approved by the Board of Directors. Reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The organization intends for the reserves if used to be replenished within a reasonable period of time. This Reserves Policy will be implemented in conjunction with the other financial policies of the organization and is intended to support the goals and strategies contained in those related policies and in strategic and operational plans.

II. DEFINITIONS AND GOALS

Reserves are as the designated fund/amount set aside by action of the Board of Directors. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months. Reserves serve a dynamic role and will be reviewed and adjusted in response to internal and external changes.

The target minimum Reserve Fund is equal to 3 months of average recurring operating costs.

The board has agreed that notwithstanding other financial commitments, Carlow Arts Festival CLG should **reserve 2% of the annual operating budget** with the ambition of achieving a reserve of €45,000 within six years of the date of the policy. This percentage is to be reviewed on an annual basis.

In addition to calculating the actual reserve at the fiscal year-end, the reserve fund target minimum will be calculated each year after approval of the annual budget. These reserves will be set by the Board of Director and included in the regular financial reports.

III. ACCOUNTING FOR RESERVES

Reserves will be recorded within the reserves amount in the annual financial statements. The Reserve Fund will be funded and available in cash or cash equivalents. Reserve funds will be commingled with the general cash and investment accounts of the organization.

IV. FUNDING OF RESERVES

The Reserve Fund will be funded with the agreed percentage (2% at present) of the annual operating budget which will have its own budget line within the overall budget. The Board of Directors may, from time to time, direct that a specific source of revenue be set aside for operating reserves. Examples may include one-time gifts or bequests, donations, or other specific income.

The Chief Executive Officer will identify the need for access to reserve funds and confirm that the use is consistent with the purpose of the reserves as described in this Reserves Policy. Determination of need requires analysis of the sufficiency of the current level of reserve funds, the availability of any other sources of funds before using reserves, and evaluation of the time period for which the funds will be required and replenished.

V. AUTHORITY TO USE OPERATING RESERVES

The Chief Executive Officer will submit a request to use operating reserves to the Board of Directors. The request will include the analysis and determination of the use of funds and plans for replenishment. The organization's goal is to replenish the funds used within 9 months to restore the Reserves to the target minimum amount. If the use of operating reserves will take longer than 9 months to replenish, the request will be scrutinized more carefully. The Board



of Directors will either (1) approve or modify the request and authorize expenditure from Reserves or (2) refuse request and give grounds for same.

VI. REPORTING AND MONITORING
VII.

The Chief Executive Officer is responsible for ensuring that Reserves are maintained and used only as described in this Policy. Upon approval of the use of reserves, the Chief Executive Officer will maintain records of the use of funds and plan for replenishment. She/he will provide regular reports Board of Directors of progress to restore the fund to the target minimum amount.

The Chief Executive Officer will annually discuss what additional risk factors might be considered for the organization, the impact of budgeting on operating reserve levels, and any requirements with funders or chartering organizations.

VIII. RELATIONSHIP TO OTHER PROCEDURES

The Reserves Policy takes into account

- Risks associated with each stream of income and expenditure being different from that budgeted.
- Planned activity level with potential threats and difficulties continuously reviewed.
- The organisation's contractual commitments.
- Changes in organisational structure and contracts of employment
- Operating and Capital Budgeting

IX. REVIEW OF POLICY

This Policy will be reviewed by the Board of Directors every 2 years at minimum, or sooner if warranted by internal or external events or changes. Changes to the Policy will be recommended and approved by the Board of Directors. The Board of Directors ensure that financial policies, strategies, and budgets support the mission, values and strategic plan of the organization. Its purpose is to ensure the financial health and integrity of the organization in pursuit of its mission to Carlow Arts Festival CLG.

The following headings to be used in the development and review of the policy:

- Risk assessment: against each category of income and expenditure.
- Future activity level: likely requirements on reserves.
- Organisational commitments.
- Statement of the desired reserves level, as a result of the above.