Canadian Celtic Choir- Surplus Allocation Policy

Roger Jolliffe, Treasurer CCC - Feb. 2015

What is Surplus and why do we have an Allocation Policy?

"Surplus" is our retained earnings, the accrued amount of the profits or losses from our regular operating activities. These funds are needed for one time or irregular larger expenses such as Tour costs or developing new CD's. The allocation policy ensures that our regular yearly profits (or losses) are rigorously allocated to (or from) defined "protected" reserves, available when needed for the key priorities determined by the Board. The Treasurer manages the process, including initiating a yearly board review, and ensures sufficient due diligence is done by the Board before any changes.

Three components of the Surplus Allocation Policy are:

1. **Financial Structure** - How do we organize our accounts to enable the allocation?
2. **Reserve funds -** What surplus buckets are needed or wanted?
3. **Processes -** How is money allocated to each fund and on what can it be spent?

1. Financial Structure - Our accounts are organized into these segments to enable the allocation:

- **Operations**
  - **Basic Operations** - Dues, compensation, music, uniforms, Insurance, social, admin etc.
  - **Performances -** Costs and revenues from each performance
  - **Fundraising** - Separate accounts for each fundraising activity.
- **Strategic Initiatives** - infrequent major purchases e.g. new risers, music commissioning etc.
- **Tours –** Any expenditures are accounted for by each specific tour
- **Recordings** - Tracking of each CD's costs and revenues, and other recording efforts

2. Reserve Funds - Surplus is currently divided into 4 funds

- **Operations Float -** This is a "Safety Valve" designed to ensure we have enough cash on hand to support our regular activities. It also as a buffer protecting the other funds, allowing us to still consider major expenditures if we've happened to have an off-year.
- **Strategic Fund -** Strategic initiatives are funded from this bucket.
- **Tour Fund -** Used to offset tour costs
- **Recording reserve -** Used to fund recording projects

3. Process – At each fiscal year-end (July 31):

1. **First, Operations** profit goes to **Operations Float** until it reaches its maximum **of** $4000. The fund is allowed to fall to -$4000 before being restored by money from other funds.
2. **Second**, **Operations Profit remaining goes 50% to the Strategic fund and 50% to the Tour fund.** There are no maximums currently defined for these funds.
3. **If Operations has a loss, it works the opposite way.** Operations Float will be reduced to a minimum of -$4K) and any excess will be drawn 50% from each of Strategic and Tour Funds.
4. The **Recording Reserve** is the aggregation of all profits and losses from **Recordings** initiatives. It remains independent of other financial activity of the choir.

A second reference document **"CCC Financial History - Surplus Allocation and Reserve Funds"** supplements this document and contains:

- **Part 1 - Surplus Allocation History –** A review of the changes since a policy was initiated in 2004.
- **Part 2 - Grants, Fundraising and Reserve Funds History -** numerical highlights of all items