



OPERATING RESERVES POLICY

Last Reviewed 2 March 2021



BASKETBALL
QUEENSLAND

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1. Area of Responsibility

Board Governance

2. Date Last Updated

Current Review undertaken on 2 March 2021. Previous review 2 April 2017.

Note – next review due March 2023.

3. Policy Number

POLBG02

4. Purpose

Basketball Queensland Ltd (BQ) is a “not for profit” organisation. A not-for-profit organisation is an organisation that is not operating for the profit or gain of its individual members, whether these gains would have been direct or indirect. As a consequence, the assets and income of Basketball Queensland Ltd are applied solely in furtherance of objects defined in the Constitution (essentially the sport of basketball in Queensland). No portion shall be distributed directly or indirectly to the members of the organisation except as bona fide compensation for services rendered or expenses incurred on behalf of the organisation.'

It is important for the management and financial stability of BQ that the Board determines Operating Reserves. This policy sets out how the Operating Reserves should be calculated.

5. Policy

The term “operating reserves” refers to the portion of liquid assets that an organisation sets aside for use in emergencies to sustain financial operations in the event of significant, unbudgeted increases in operating expenses and/or losses in operating revenue.

Not for profit organisations typically accumulate reserves for the following reasons:

a) A Specific Expenditure Goal

Examples of this are typically where an organisation wants to acquire premises, in which case there should be some kind of strategic plan, which has defined the objective and expected amount.

BQ is currently attempting to secure a State Basketball Centre and may need to make a considerable contribution to the cost of this facility to secure Anchor Tenant status. The contribution required may be in the order of \$2M. Whilst it is likely that the bulk of this would be borrowed, it is suggested that 25% this amount \$500,000 be set aside as a reserve to have the stadium built with occupation on favourable terms.

b) An Endowment Fund

The organisation may want to be able to have a fund, which generates sufficient investment income to pay for, or subsidise, a particular activity. Examples of this are schools and universities using investment income to provide scholarships to students from poorer backgrounds, or other organisations using investment income to fund research.

BQ has not previously budgeted for this contingency and has generally included interest income in consolidated revenue. Also, given the very low interest rates currently available this has the potential to tie up significant funds for little return.

The Board should; however, review this each year to determine if reserves should be set aside for this purpose.

c) Unexpected Loss of Funding

BQ is reliant on funding from both Queensland government and from the Australian Sports Commission through Basketball Australia. The Board is cognisant that the political and social climate can change rapidly, and funding may suddenly be switched off, irrespective of past promises.

To combat the situation where funding is suddenly withdrawn or reduced significantly the Board will hold one year of funding from both the Queensland Government (currently the State Development Funding and high-performance funding from the Queensland Academy of Sport).

d) Unexpected Expenditure

There is always the potential risk of natural catastrophes such as floods and cyclones. In 2011 BQ provided \$100,000 in funding to associations affected by floods. It is hard to imagine a disaster greater than this; therefore, the Board will hold reserves for this contingency. The value of \$100,000 in 2011 is worth \$118,000 in 2021 based on the increase in CPI each year. The Board should hold more than this to ensure a sufficient buffer and should consider at least **\$150,000** in reserve for this contingency to allow for the worst possible case.

e) Reserve for other Income Loss

Major sources of income are membership fees and income from competitions. The Board is aware that due to economic and social changes some of this income is at risk from one year to the next.

BQ has enjoyed substantial growth; however, in 2020 the restrictions caused by the COVID pandemic resulted in the number of registered players declining by 13.7%. It is difficult to imagine a decline greater than this, but a cautious approach would be best; therefore, the Board will set aside sufficient funds to weather a 15% loss of income derived from membership fees and competitions for one year.

6. Annual Review

Each year once the final accounts for the Financial Year have been received, the Board will calculate the amount to be kept in reserves as per the policy. If there are insufficient funds available to satisfy the requirements of this policy the Board will determine the amount to be set aside in reserves giving consideration to the current economic climate and any other risk factors which the Board feels appropriate.