

Basketball Queensland Operating Reserves Policy

Policy Number: BQF-001

Current Version: 7th March 2025

Previous Version: 2nd March 2021

1. Area of Responsibility

Board Governance

2. Date Last Updated

7th March 2025

3. Policy Number

BQF-001

4. Purpose

The purpose of this policy is to ensure that Basketball Queensland Ltd (BQ) maintains adequate financial reserves to sustain operations during unexpected challenges or downturns. Key purposes of this policy are to:

- Provide financial stability and risk mitigation
 - Allow for continuity of operations
 - Allow strategic decision making to further BQ's objects
 - Provide stakeholders with confidence in BQ's operations
 - Align with financial compliance and best practice
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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) Strategic Expenditure – \$600,000

This is usually when an organisation believes there is a specific expenditure that would allow it to achieve against one of its strategic objectives.

An example is the 30 facility projects currently underway within the State, including a potential home for Basketball Queensland. To secure favourable occupation terms, BQ may need to contribute financially.

b) Financial Assistance Fund

The organisation may wish to establish a fund that generates sufficient investment income to subsidise or fully fund specific activities.

Examples include:

- Schools and universities offering scholarships funded by investment income
- Organisations using income to fund research

BQ has not previously budgeted for this and has generally included interest income in consolidated revenue. Given currently low interest rates, the return may not justify the capital tied up.

The Board should review annually whether reserves should be allocated for this purpose.

c) Unexpected Loss of Funding – \$500,000

BQ relies on funding from the Queensland Government and the Australian Sports Commission through Basketball Australia. Political and social climates can shift rapidly, risking sudden withdrawal of support.

To manage this risk, the Board will retain one year's worth of funding from both:

- Queensland Government (currently the Active Industry Base Funding), and
- High-performance funding from the Queensland Academy of Sport

d) Unexpected Expenditure – \$150,000

There is always a risk of natural catastrophes such as floods or cyclones.

In 2011, BQ provided \$100,000 to associations affected by floods. Adjusted for CPI, this would be worth \$118,000 in 2021. The Board should hold more than this amount to ensure an adequate buffer.

The recommendation is to reserve at least \$150,000 for such contingencies.

e) Reserve for Other Income Loss – \$805,000 (2024)

Major sources of income are:

- Membership fees
- Competition revenue

Due to economic or social shifts, this income may fluctuate year-to-year.

BQ has experienced growth, but in 2020 the COVID pandemic caused a 13.7% decline in registered players.

To be cautious, the Board will reserve funds sufficient to manage a 15% decline in income from membership and competitions for one year.

6. Annual Review

Each year, once final accounts are received, the Board will:

- Calculate the required reserve amount as per this policy
- If funds are insufficient, determine the amount to be set aside, considering current economic conditions and other relevant risks