ACA World Service Organization (WSO)
Contingency Fund Policy

Policy Owner: Finance Committee

Approved By: Board of Trustees **Date:** September 2, 2026

1. Purpose

This policy establishes how WSO funds, administers, and uses its Contingency Fund (the "Fund") to address unbudgeted operating expenses, price increases, or modest revenue shortfalls arising during a budget year.

The Contingency Fund is an operations buffer for the annual budget, and is distinct from the Prudent Reserve Fund, which is intended for larger or longer-term disruptions and other uses authorized under the Prudent Reserve Policy.

2. Scope

This policy applies to all Trustees, officers, the General Manager (GM), Finance Committee members, special workers, and volunteers who participate in the stewardship, authorization, or execution of WSO finances.

3. Fund Structure and Funding

- The Board of Trustees, on the recommendation of the Finance Committee, shall establish the Fund amount each year through the annual budget process. The Fund's amount may be set at a minimum of 3% up to 10% of operating expenses.
- The Fund is an operating budget line item. It is not held in a separate bank account and is not a Board-designated reserve.
- The Fund is renewed through each annual budget. At year-end, unused amounts may, at the Board's direction, be transferred to the Prudent Reserve or remain as unrestricted operating surplus.

4. Use of the Fund

1. **Qualifying uses.** The Fund may be used for unbudgeted or unexpected operating expenses including, but not limited to, legal fees, employee separation costs, inventory write-offs, theft losses, and price increases as well as modest revenue shortfalls that arise during the budget year.
2. **Approval thresholds.** An expense that qualifies under this policy and fits within the remaining Contingency Fund balance may be applied by the General Manager in accordance with authority delegated in the Operating Policies and Procedure Manual. Prior Board approval is required if cumulative Fund use would exceed the budgeted Contingency Fund amount. Another representative can be designated by the board in the absence of the General Manager.
3. **Review before use.** Before an expense is applied to the Fund, the Finance Committee shall confirm that it is within the scope of this policy, consider whether another funding source is more appropriate and document the rationale.

5. Relationship to the Prudent Reserve

WSO maintains two distinct financial buffers:

- **Contingency Fund -** An annual budget line item that addresses qualifying, unbudgeted in-year operating expenses or modest revenue shortfalls within the amount approved in the annual budget.
- **Prudent Reserve —** A Board-designated fund held separately from the operating budget and used in accordance with the Prudent Reserve Policy for larger disruptions, unanticipated funding losses, uninsured losses, and qualifying one-time capacity investments.

When a need falls within the scope of this policy, the Contingency Fund should be used before requesting use of the Prudent Reserve. If anticipated needs exceed the Fund's capacity, the Finance Committee shall evaluate whether use of the Prudent Reserve is appropriate under that policy.

6. Roles and Responsibilities

- **Board of Trustees —** Approves this policy and the annual Contingency Fund amount, and approves any expenditure that would cause cumulative Fund use to exceed the budgeted amount.
- **Finance Committee —** Recommends the annual Fund amount, assesses financial risks; monitors the Fund activity; and, jointly with the GM, confirms qualifying uses, documents the rationale for use and evaluates whether escalation to the Prudent Reserve is appropriate.
- **General Manager (GM) —** Identifies qualifying expenses from the Finance Committee recommendations, applies approved expenses to the Fund within delegated authority, communicates substantial Fund activity to the Board, and oversees operational execution.
- **Treasurer —** Ensures the Fund activity is reported in accordance with this policy, and included in regular financial reports to the Board.
- **Special workers and volunteers —** Adhere to financial protocols or procedures related to the use of the Fund.

7. Reporting and Monitoring

Fund activity shall be shown in the monthly Operating Finance statements, including a brief note describing material uses. The Treasurer, supported by the Finance Committee, shall report the current Fund balance, and any year-to-date activity, to the Board of Trustees as part of its regular financial reporting.

8. Policy Review

The Finance Committee shall review this policy every two years, consistent with the review cycle of the Prudent Reserve Policy, and sooner if circumstances are warranted. Recommended changes

shall be submitted to the Board of Trustees for approval.