

PRESBYTERIAN COMMUNITY SERVICES **RESERVES POLICY**

Put into effect: 31 July 2015

1. Policy:

The policy was put into effect and will ensure compliance with “The Code of Governance for Charities and IPCs (Guideline 6.3.1) that states; ***“While all charities should maintain some level of reserves to ensure long-term financial sustainability, the charity should disclose its reserves policy in the annual report.”***”

The policy shall serve as a guide for the organization to manage its resources. With the approved policy by the Board, it enables the organization to better manage its current needs and plan for future developments.

The Board shall also build reserves to ensure continuity and sustainability during challenging times. It serves as a basis for the Board to determine if the organization is holding excessive reserves or too little for its future needs.

2. Definition of Reserves:

The term "Reserves" is the organization's funds that are freely available for its operating purposes not subject to commitments, planned expenditure and spending limits. The reserves of the organization do not include endowment funds, restricted funds and designated funds.

3. Objectives:

While the objective is to maintain the level of reserves to ensure long-term financial sustainability, the reserves is to be seen as not excessive but sufficient enough to create security amongst beneficiaries, donors, supporters and employees.

4. Guiding Principles:

As a guide in determining “sufficient level” of reserves, the board shall consider how much reserves are needed to ensure uninterrupted operations that enable the organization to carry on with its core activities even during the most challenging situations.

Challenging situations are those to a certain extent, may threaten the continued existence of the organization such as; **1.** Funding stream is cut-off or reduced significantly, **2.** Revenue from main sources (such as Child Care Fees) is adversely affected by events, Government directions or circumstances beyond the control of the Executive Committee and **3.** Donations drop significantly.

5. Management of reserves:

PCS shall maintain a reserves equivalent to **12 months of operating expenses**. The reserves shall be capped at that level until the Board decides to revise it upwards or downwards as it deems fit.

Disclosure in the annual report is to be read as follows;

“Presbyterian Community Services has its “Reserves Policy” to provide financial stability and the means for further improvement of its activities. PCS maintains the reserves at a level equivalent to 12 months of operating expenditures based on last year’s actual operating expenses.”

The disclosure shall be reviewed regularly to ensure its timeliness and appropriateness and shall be amended and be kept up to date whenever necessary.

6. Review of Reserves Policy:

The Finance Committee shall review the Reserves Policy annually and shall give its recommendation to the Board. The Board shall regularly meet once a year to review the policy and to maintain the reserves at a level deems sufficient for its operating needs, taking into consideration the recommendation of the Finance Committee.