

# Reserves Policy for New Day Church (v1)

*Reviewed by the Board: 30/04/2023*

## 1. Definitions

- 1.1 Reserves shall include all unrestricted funds in both cash and bank balances and short-term debtors expected to become cash or cash equivalents within 3 months (eg gift aid tax reclaim amounts due.)
- 1.2 Unrestricted funds comprise all funds which the church leadership is free to allocate or spend in any way it chooses.
- 1.3 Restricted funds are those funds which have a specified purpose and must be maintained as separate funds until they are expended within the scope of that specified purpose. The trustees shall ensure that such separation is maintained.
- 1.4 New Day Church must therefore maintain balances which comprise both the Reserves and the unspent restricted funds.

## 2. Purpose of Reserves

- 2.1 Reserves are required in order to help the church continue its mission and to fulfil its obligations to pay its employees despite facing any unforeseen shortfall in income or material unexpected expenditure.

## 3. Amount of Reserves

- 3.1 Reserves shall be required to cover the employer cost of 3 months' salaries to staff, plus any material short term liability above £5,000 which the church has entered into.

## 4. Monitoring of Reserves

- 4.1 The trustees shall routinely review the church accounts on at least a quarterly basis to ensure the Reserves are at least at the level stipulated in 3.1.
- 4.2 Such review shall be noted as part of the finance review within the trustee meeting minutes.

## **5. Depletion of Reserves**

5.1 The Reserves are intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-off unbudgeted expenses, unanticipated loss in funding, or uninsured losses. Reserves must not be used to replace a permanent loss of funds or eliminate an ongoing budget gap.

5.2 Should any circumstance arise which causes the Reserves to be depleted below the level stipulated in 3.1, the trustees shall convene an emergency meeting within 4 weeks of determining that the Reserves level has been breached.

5.3 The trustees shall convene this meeting to understand the cause of the depletion and address the situation by agreeing a plan to either boost income, curtail ongoing spending or a combination of the two to bring anticipated income and outgoings back into balance and to replenish the Reserves amount.

5.4 The leadership team shall only consider mortgaging the property of the church in response to a deterioration in its finances as a last resort after all possible actions under 5.2 have been exhausted.