

Reserves & investments policy

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About this policy

Our reserves and investments policy aims to maintain cash reserves sufficient to cover monthly operations, without the friction of moving money to cover costs.

Objectives

- Maintain cash reserves sufficient to cover monthly operations without the friction of having to move money to pay for costs
- Be responsible and compliant with restricted grants or donations
- Allow for easy flow of funds for unforeseen emergency cash requirements
- Maintain cash value (in real terms with inflation considered) while reducing risk of loss of initial capital from grantors

Reserve categories

Unrestricted funds

Category	Purpose	Amount (based on unrestricted spend rate)	Instrument
Operating	Provide cash for unrestricted current operations (paying salaries, office costs, software subscriptions)	Minimum: 1 Month Maximum: 3 Months	Cash in a bank account

Liquid Investment	To provide extra cash for unforeseen circumstances (legal disputes, lack of funding from an unforeseen change in the market, etc.) that is able to be utilized quickly if necessary	Minimum: 6 Months Maximum: 12 Months	Liquid investment (interest-bearing account with a modern bank preferably)
Long-term Investment	To maintain value of grants and provide small return	Remaining portion of unrestricted funds, that are not given as the original endowment, or to top up the endowment.	Stocks or bonds in reputable and conservative companies. ETFs, or other diversified vehicles preferred. Avoid mutual funds or management accounts with high fees.
Endowment	Original endowment, and top ups, for high returns. The endowment itself cannot be used.	Whatever is donated explicitly as going to the endowment.	Mainly stocks. See separate policy.

Restricted funds

Category	Purpose	Amount (based on restricted spend rate)	Instrument
Operating	Provide cash for restricted current operations (paying salaries, office costs, software subscriptions)	Minimum: 1 Month Maximum: 3 Months (or full balance if restricted grant balance is less than 3 months)	Cash in a bank account
Investment	To maintain value of grants restricted for a specific purpose, but allow for quick liquidation of funds if necessary	Remaining portion of restricted funds over the operating balance	Liquid investment (interest-bearing account with a modern bank preferably)

New donations & replenishment

New donations:

- Unrestricted: Deposited into the long-term investment account
- Restricted: Split between the operating and investment accounts according to their reserve amounts

Replenishment:

- Each month the balances are reviewed by the Director and if it is deemed to be a good rebalancing time, investments would be cashed to fund the operating accounts (and liquid investment account if necessary) to maintain their reserve balance
- This policy should be reviewed annually by the board and quarterly by management to ensure capital reserves are sufficient and the reserve policy is still appropriate