GRACE FOUNDATION

Financial Reserves Policy

Document Owner: Grace Foundation

Approved by: Grace Foundation Board of Trustees

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Contents

1. Introduction

The purpose of this policy is to outline Grace Foundation's approach to managing financial reserves to ensure the long-term sustainability of our mission to transform young people's lives, while maintaining financial stability and addressing potential risks.

2. Purpose and Scope

Grace Foundation is committed to maintaining adequate financial reserves to:

- Protect against unexpected financial challenges.
- Ensure continuity in delivering our programmes and services.
- Invest in strategic priorities aligned with our mission.

This policy complies with the guidance provided by the UK Charity Commission.

Grace Foundation receives HR, IT, and Financial Services from IMG (UK) Holdings Ltd and its subsidiary entities (collectively referred to as IMG). Any mention of IMG in relation to Grace Foundation pertains to these entities.

3. Definitions

3.1 Reserves

Unrestricted funds available for use, excluding:

- Restricted funds designated for specific projects.
- Fixed assets (e.g., property, equipment).
- Contractual or legal obligations.

3.2 Minimum Reserves Level

The minimum amount of unrestricted funds Grace Foundation will retain to ensure financial sustainability.

4. Reserves Purpose

Grace Foundation’s reserves are maintained to:

- Ensure operational stability in times of financial uncertainty.
- Fund essential services and core programmes.
- Manage unforeseen risks or emergencies.
- Support strategic growth and innovation.

5. Minimum Reserves Level

Grace Foundation will aim to maintain reserves equivalent to two months operating costs.

This includes:

- Staff salaries and associated costs.
- Administrative overheads.
- Essential programme delivery costs.

6. Procedures for Setting and Reviewing Reserves

6.1 Annual Assessment:

The reserves level will be reviewed annually during the budget-setting process.

Factors considered will include:

- Income variability from donations, grants, and funding agreements.
- Projected expenditure for the coming year.
- Planned strategic initiatives.

6.2 Approval

The reserves policy and recommended reserves level will be presented to the Board of Trustees for approval annually.

Any significant changes to the policy or reserves level will require board approval.

7. Monitoring

Reserves will be monitored quarterly by the GF Finance Team.

A reserves statement will be included in financial reports presented to trustees.

8. Accessing Reserves

Grace Foundation is committed to maintaining a prudent level of unrestricted reserves to ensure financial stability and the ability to respond to unforeseen challenges.

- Holding Reserves: minimum unrestricted reserves should be held in cash deposits with reputable financial institutions, ensuring accessibility within 30 days or less.
- Use of Reserves: any use of unrestricted reserves must be approved by the Board of Trustees or the CEO.
- Requesting Access: requests to access reserves must include:
    - The specific purpose and justification for the withdrawal.
    - The amount required.
    - A plan to restore reserves, if necessary.
- Replenishment Plan: If reserves are drawn upon, the Senior Leadership Team will develop a replenishment plan to restore reserves within an agreed timeframe.

This ensures reserves are managed responsibly, used only when necessary, and replenished efficiently.

9. Transparency

The reserves policy and the current level of reserves will be disclosed in Grace Foundation's annual report and financial statements, ensuring transparency and accountability.

10. Risk Management

This policy forms part of Grace Foundation's broader risk management framework. Maintaining reserves mitigates financial risks and ensures the organisation can continue to deliver impactful programmes.

11. Review

This policy will be reviewed annually or earlier if significant financial or organisational changes occur.

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