



**POLICY**

Document No.

**WSA Res**

**WSA Reserves**

**Document Revision History**

Revision	Approval date of previous version	Section(s) revised and brief description	Change Control Reference #
02	NA	Original	

**1. PURPOSE AND SCOPE**

The purpose of this policy is to define the extent and use of WSA Reserve funds.

**2. DEFINITIONS**

Unless specified otherwise, the WSA refers to the World Subud Association, a not for profit Organization, registered in the USA and exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). <sup>(1)</sup>

Policies of the WSA are proposed, discussed and ratified by the World Subud Congress held approximately every four years. In the period between Congresses the World Subud Council has the mandate to implement resolutions of Congress and maintaining effective Governance. <sup>(2)</sup>

US Tax law requires Trustees (and in the case of the WSA, the Board of Directors (BODs)) to provide a clear statement detailing the extent and intended use of reserves held. Guidelines are available to help the BODs develop this policy<sup>(3,4, 5,& 6)</sup> but it is up to the BOD to show evidence that they made “ a genuine attempt to formulate a reserves policy, rather than just trying to justify the existing level of reserves.”

In 2005 the UK Charities Commission published the Statement of Recommended Practice (SORP): Accounting by Charities, which requires trustees to provide a statement outlining what reserves are held and for what purpose. In its CC19 document the Charity Commission recommends a policy should outline the reasons why reserves are needed, the level the charity believes is required, the steps it will take to establish and maintain that level, and arrangements for monitoring and reviewing the policy.

Tax law basically requires similar explanations, with the underlying principle being that charities can accumulate income provided it is clear that this is being done to meet future needs rather than to avoid tax. But as Pesh Framjee, head of the unit serving non-profit organizations at Deloitte, has written in a useful white paper Charities and Reserves, what’s most important is that “... management must make a genuine attempt to formulate a reserves policy, rather than just trying to justify the existing level of reserves.”<sup>(5)</sup>

**3. POLICY**

**3.1 Reserve Funds**

This Policy relates to unrestricted or “free” funds and does not apply to Restricted funds or Endowment funds. However it does include designated funds which have been earmarked for particular use, but whose application can be legally reassigned to other uses by trustee agreement. In general the Charities SORP specifies reserves as that part of a charity’s income funds that is freely available to spend. Charity law requires that any income received should be spent within a reasonable period from time of receipt. Tangible fixed assets are excluded from reserves, as are program-related investments.

The WSA Executive, in conjunction with the Finance Committee, will analyze the financial situation of the WSA at their regular meetings, to identify the total reserves required/ available. This calculation must provide explanations regarding intended use of the Reserves, for subsequent presentation to and approval by the BOD, of how the value of the Reserves, have been arrived at.

Prepared by:		Approved by:
Date:		Date:
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**Calculation of Reserves**

**3.2 Calculation of Reserves: *to be updated annually***

In making their assessment of the extent of Reserves, the Finance Committee should:

- Not include endowment funds *or designated funds*.
- Exclude Funds committed for Programs (eg. World Congress preparation).
- Deduct Program-related investments.
- Exclude Funds required for asset maintenance
- Calculate a reasonable Contingency for WSA operations.
- Calculate a reasonable Contingency for WSA programs.

**3.3 Assessment of Reserves**

Having arrived at a calculation of the value of Reserves, the WSA Executive should provide a report to the BOD to justify the requirement for the value of Reserves. The BOD together with the rest of the WSC, have the responsibility for evaluating the value of the Reserves to be held and the policy for the year ahead. This process would happen once every year at the annual meeting of the WSC.

*During the year between WSC annual meetings, the BOD will monitor the Reserves and in the light of circumstances may change the evaluation of the value of the Reserves.*

**4. REFERENCES & RELATED DOCUMENTS**

<b>Regulatory</b>	(1) IRS Directive April 19 <sup>th</sup> 1990 to Harun Murray (2) WSA Handbook v10, January 2010 (3) Charities and Reserves (CC19) UK Charities Commission, 2008. (4) Maintaining Sufficient Reserves to Protect your not-for-profit organization – 2010, Frank L. Kurre, Grant Thornton LLP. (5) Charities and Reserves, 2006, Pesh Framjee, Deloitte (6) Charity Times –Balancing the Equation, Aug 2006
<b>Related</b>	



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**Calculation of Reserves**

**WSA Executive Report**

09-Dec-11

**Calculation of Reserves**

**Unrestricted funds as at Week 47 2011  
(draft figures)**

Balance brought forward 1 Jan 2011	\$522,266
Transfer to World Congress Fund	-
	\$150,000
	-
Deficit in 2011 to week 47	\$105,370

**Unrestricted funds balance** \$266,896

**Deduct earmarked funds**

Funds committed for Programs	2012 Deficit	\$128,019
Program-related investments		\$0
Asset maintenance		\$0
		<u>\$128,019</u>

**Unrestricted funds available** \$138,877

**Level of reserves needed**

Contingency for WSA operations	2012 Budget	171,576	12	weeks	\$39,594
Contingency for WSA programs	2012 Budget	253,020	12	weeks	\$58,389

**Total reserves needed** \$97,983

**Funds held freely available for spending** \$168,913