

Association of Jersey Charities – Stance on Grant Applicant’s Reserves

The Committee of the Association of Jersey Charities is aware that its members comprise a mix of organisations with different wealth, resources and access to alternative funds. Consequently, it is the Committee’s view that it would not be reasonable to provide funding to members or other local charities without asking them to justify any existing level of financial reserves and utilise this knowledge to direct the Association’s funds to where they are most needed.

The majority of the Members of the Association should have some level of reserves (otherwise they may be acting while insolvent).

We recognise that there are charities on Jersey that have no reserves but who undertake very worthwhile work and the Officers of the Association of Jersey Charities have a responsibility to ensure that we are able to support applications from these organisations. With this in mind the Committee will, unfortunately, have to take the view that applications that do not adequately explain the need for the organisation’s level of reserves will be deemed NOT to demonstrate financial need for a grant and will be rejected.

Charities exist to provide support to a particular cause or group of beneficiaries. Therefore, when a charity has reserves, the onus is on the organisation to explain why it is retaining that level of funds that might otherwise be applied to the benefit of the cause or beneficiaries.

There are good and valid reasons why an organisation might retain reserves, and these may include:

1. the reserves balance represents fixed assets (land, buildings, vehicles, equipment etc) that the organisation requires to undertake its’ charitable work and which are not available as liquid resources;
2. that reserves represent restricted funds that can only be used for a specific purpose and which cannot be applied to other projects (thereby preventing them being used to fund the purpose for which the grant is being requested); and
3. that the organisation is voluntarily setting aside or saving up reserves for a particular future project (also known as having designated funds).

Beyond this, there is a common-sense approach that those organisations that have fixed operating costs (salaries, leases and other contractual payments) would need to retain a ‘buffer’ of reserves to cover costs of closure in the event of a catastrophic event.

There is no legal guidance on what constitutes a reasonable ‘buffer’ and it is the responsibility of each member organisation to consider their circumstances and establish their own policy for holding reserves.

However, the Committee takes the view that any level of reserves in excess of 6 months’ expenditure should be justified if we are to accept there is a financial need.

If an applicant has reserves in excess of 6 months’ expenditure operational costs, then we would expect to receive an explanation for carrying this level of reserves. The explanation may be linked to the organisation’s particular circumstances or to any (or a combination of) the reasons set out above (holding illiquid assets, restricted funds or designated funds).

If an applicant holds reserves of a quantum that is greater than it can properly justify, then it could be argued that it is depriving the cause or the beneficiaries of funds to which they are entitled.