



FINANCE, RESERVES, AND GOSPEL OPPORTUNITY

“Without reserves or underpinning finance we may have all the gospel opportunities in the world, but not the means to take them on.”

writes John Wain



There's a perceptible glaze that comes over the eyes of most people once we begin to talk about finance and reserves. It's a highly emotive issue, some will even call it a 'dry as dust' issue, but it's one that is vitally important to the life and work of any successful charity. I know it's not front line activity, the things we all like to associate ourselves with, but in reality it is just as important as the most cutting edge of gospel activity. Without the appropriate level of reserves or underpinning finance we may have all the gospel opportunities in the world lined up, but simply not have the means to take them on. So, the issues around reserves are very real, a vital element of the everyday working life of the organisation. Not surprisingly, though, it's also one that causes the vast majority of all charities, including Crosslinks, some serious headaches.

LAW

Here's why reserves are important. Under charity law every

charity is legally required to have a reserves policy - that is to state its assessment of how much money it will need to finance the organisation through the ups and downs of its annual financial cycle. In the worst case scenario, reserves are there to ensure that if the organisation has to close down, for whatever reason, it can do so under control, whilst meeting all of its outstanding obligations and liabilities.

ASSESS

How do we assess the level of reserves needed to fund an organisation like Crosslinks?

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Well, it's a relatively complex thing to do - but the calculation works out at about fifty percent of our annual turnover. So, if we set a budget for the year at £2.5 million pounds, we will need to have £1.25m in reserves, to



cover any potential liability or unforeseen circumstance that may cause the organisation to close, or downsize.

INVEST

What is more important is that the £1.25 million in reserves cannot be used for anything else; we must keep it as a fall back against things going wrong. We can though, invest it on the stock market and/or in property, which in itself helps to keep the value of reserves fairly stable as long as the economy itself remains stable. At Crosslinks we have reserves which are made up of both stock market investments and property, such as the build-

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ing we all know as 251 - our headquarters.

Currently our reserves have a value which is calculated at just about the six months cover we need to have in order to comply with our reserves policy, so that's good news, isn't it? Well, yes and no! Yes, we have the cover we need, but it's not such good news if we are to take on some of the new gospel opportunities presented to us or if we want to further expand our current work.

EXPANSION

For example, supposing we want to undertake an expansion of our work for 2008 and decide that a further £300,000 was needed to start the work during that year and then run it for a full year in 2009 when it will cost £400,000. No doubt there will be supporters who are excited by the prospect and who help us to raise the initial £300,000 and then promise to increase that to cover the full year effect of £400,000 in 2009. Now, if our reserves are only able to provide us with the necessary six months cover for existing activity, we will need to raise a further £150,000 to increase our reserves to the level required. In other words, we will need to raise £450,000 during the year, not £300,000. If the cost of running the work for a full year in 2009 was £400,000, then not only would we need to raise this, under our reserves policy contingency calculation it would need to be £600,000.

So, reserves may not be the most glamorous part of the organisation and our gospel work, but it is the vitally important underpinning of the organisation and its activities - it is the foundation that allows the ongoing work of Crosslinks to flourish and grow.

What's the likelihood that we will have to use our reserves? In fact, have we ever had to dip seriously into our reserves? Well, yes we have. Back in 2000 and 2001 when finance was difficult and the stock market underperformed, it was our reserves that allowed Crosslinks to stay afloat, when other charities were forced to close. We've never had such a high level of reserves since, but we thank God that we did have that level of reserves when we needed it most....

SUFFICIENT

Let's turn to our current situation. We have sufficient reserves to give us the six months cover of our expenditure that we need, but only just. The signs are we will reach the end of 2007 in roughly that position. However, 2008 is

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a different proposition. Even if we do exactly the same in 2008 as we did in 2007, our costs will rise because of inflation. It's possible that the revaluation of our assets may cover that increase, but it may not be sufficient for us to take on any of the new and numerous gospel opportunities that present themselves.

OPPORTUNITIES

What can we do about the opportunities for 2008? Well, most importantly we need to pray about them and that God will provide us with the wisdom we need to discern which we will be able to take on and which we will need to leave. Then we need to pray about our finances, that through generous spirited giving, we will be able to cover the

costs of some new initiatives as well as the additional increase on existing activities that will be required.

WELCOME

I'm often asked, 'what else can I do?'. Well, think about leaving a legacy in your will or even leave a property or part of a property for Crosslinks' use. You can even transfer stocks and shares in the same way. Maybe you would just like to make a one off or regular donation to our all important, gospel enabling reserves, which would be most welcome.

We have so many more gospel opportunities than we can realistically resource and that is a great position to be in. What we really need now are the resources and reserves to enable us to take God's Word to God's world, because if we don't do it, who will?

John Wain is currently putting in place the Crosslinks Governance Assurance Framework.

We hope you enjoyed reading this issue of *In Depth!* If you would like extra copies to pass on, or if you would prefer not to receive future copies please contact Lynda on 020 8691 6111, or email lblake@crosslinks.org

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