



# MASTERS SWIMMING AUSTRALIA

## CASH RESERVES POLICY

May 2023

## **History and Financial Reporting**

Masters Swimming Australia's capital reserves in the form of term deposits are listed as separate line items on the organisation's Balance Sheet.

These strategic cash reserves were created in 1988 when the Queensland branch donated approximately \$118,000 to the National Body, which was the surplus from organising the World Masters Swim. At that time the MSA Board resolved to hold this in reserve (not spend it on normal operations), invest it and contribute half of the annual interest earned to general income for the operating budget. The initial amount plus half of the annual interest, compounded annually and this accumulated capital surplus has acted as a source of funding of special projects and as capital buffer. In more recent (non-pandemic) times, the entire amount of interest earned has been rolled into the principal. Reported surplus results meant that operations could be funded without any interest contribution.

## **Risk and Evaluation**

MSA will aim to maintain cash reserves covering six months' worth of operational expenses. If cash reserves reduce below that threshold, at 4 months' worth of operational expenses MSA will begin remediation initiatives via review of forecast financial information, and detailed critique of discretionary expenditure.

As MSA receives a majority of its revenue within the first 3-4 months of the year, there is a potential that MSA will momentarily breach the thresholds above in the ordinary course of business towards the end of each financial year, before membership revenues start to flow for the following financial year. If it is clear from financial forecasts that MSA will trade out of temporarily being below either threshold, then no immediate action is to be taken apart from regular scrutiny and monitoring of the financial position of MSA.

As MSA's cash reserves were not derived from its operations, they should not be used to evaluate the organisation's operational activities or financial health. MSA should invest capital reserves in low-risk, high-liquidity investments, such as bank term deposits with authorised deposit-taking institutions, taking advantage of the Financial Claims Scheme, which allows the organisation to securely earn interest at the current applicable rate.

## **Criteria for Determining a Non-Operational Special Project**

Criteria for determining a non-operational special project and who may propose a special project.

1. It is not intended to fund undertakings that are a part the usual administrative duties of the national office;
2. The project is judged by the National Board of Management to be of national significance (for all branches) and requires special services or special products to be bought in;
3. A branch, a National committee, the NBM or one of the Board's specialist sub-committees, may propose a project.

Without cash reserves, MSA would rely predominantly on member registration income and be restricted in what could be done for the benefit of members.