

Alongside patterns of income and expenditure, the levels of financial reserves form part of the overall financial picture. This paper offers a brief reflection on reserves and guidance on generating the financial reserves charts for the case statement.



A purse with holes: looking at reserves

Writing in Jerusalem as the city was re-established after the Exile, the prophet Haggai says to the people of Israel, 'Give careful thought to your ways. You have planted much, but harvested little..... You earn wages, only to put them in a purse with holes in it' (Hag. 1:5-6). Even though times were tough Haggai encouraged the rebuilding of the Temple because it declared God's presence with his people. Scarcity would not push God to the margins of Israel's community and economic life. Our financial analysis puts mission, ministry, discipleship at the heart of our money talk.

A purse with holes

For many churches it feels just like having a purse with holes! Each year is a worry with stubborn operating deficits. Our historic reserves or perhaps an unexpected legacy or large donation may subsidise a shortfall in income, troublesome fabric repairs or both. In time, anxious concerns for security and survival can overshadow a vision for ministry and mission.

Ever bigger barns?

Some churches are holding, perhaps anxiously hoarding reserves for that rainy day. Purposeful reserves are wise stewardship, different for a medieval listed church and a modern, well kept facility. In both cases a robust policy stating levels of reserves to be held and their purpose goes a long way to communicating good stewardship.

Sometimes, however, in Haggai's words, much is planted financially but there is a poor harvest of ministry and mission. Like the rich man in Jesus' parable we build ever bigger barns. We risk a defensive, inward-looking attitude, reluctant to invest in mission for fear of an uncertain future. It's hard to encourage generosity with large reserves, a perception of wealth.

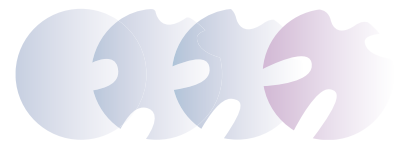
House of the wise

Of course, for some churches the bottom has fallen out of the bag. Proverbs 20:21 says, 'In the house of the wise are stores of choice food and oil, but the foolish devour all they have.' Applying the principle to our churches, there is both missional wisdom and good stewardship in holding reasonable, thoughtful levels of reserves.

What will the spreadsheet show?

The finished spreadsheet will show two charts. The top chart will show the *unrestricted* reserves of the church. Technically speaking, church reserves are limited only to these *unrestricted* reserves which will always include the *designated* funds, a sub-set of unrestricted or general funds. These unrestricted reserves can be used for any charitable, ecclesiastical purpose from repairing the drains to running an Alpha course.

The second graph shows *restricted* reserves. Remember: trustees designate; donors restrict. Restricted funds are available only for the purpose for which they are given.



A note on liabilities

Liabilities simply means money that is owed by the church but not yet paid.

Completing the Reserves spreadsheet

Download the *Reserves Analysis* spreadsheet from the [Reserves](#) tab with your annual accounts for recent years to hand. (The spreadsheet is protected; it can be unprotected on the Review ribbon in Excel. There is no password.) Follow the steps below and *exclude* any non-cash assets and investments.

1. The file has a single worksheet with coloured data entry cells in rows 10-14. Ideally enter information for the last complete five years. You may want to delete the right hand notes box, once read.
2. Enter the earliest year of your data in the gold cell B10. Subsequent years populate automatically.
3. Enter the total *unrestricted* reserves (general and designated funds) for each year into the dark blue cells in **Column D**.
4. Enter the total of all restricted funds into the dark green highlighted cells in **Column F**.
5. Enter the total of *unrestricted* liabilities into the light blue highlighted cells in **Column H**.
6. Enter the total of *restricted* liabilities into the light green highlighted cells in **Column J**
6. The worksheet will automatically calculate the totals for all funds and populate the bar charts.

Including in the case statement

Once complete, the worksheet is included in the Case Statement as page 5. For hard copy, print the Excel page in colour. It is paginated correctly. It can also be printed as a PDF for a shared drive or email.

Alternatively, paste the data and graphs into your MS Word Case Statement. First, clear the text and graphics on page 5 of your Case Statement document.

Next, unprotect the Excel spreadsheet. Highlight and copy the data and graphs (B1:O56). Then:

- paste the Excel data into Page 5 of the Case Statement and adjust as needed;
- alternatively, paste the Excel data as a graphic in the Case Statement and adjust as needed;
- or take a screen grab of the Excel data (keys:Windows/Shift/S) but do ensure the resolution of the pasted image is adequate.

Reading the two charts

The worksheet will automatically calculate total funds and generate two bar charts. The top bar chart indicates the reserves held in *unrestricted* funds. This

is money that can be used for anything to do with the life, mission and ministry of the church.

What do these reserves look like? Are they adequate to the income and expenditure of the church? Do they provide a buffer against unexpected costs or emergencies? As a very rough guide, free reserves of around 3-4 months of operational costs is reasonable but it all depends on context.



These unrestricted funds include *designated* funds. As good stewards the Church Council may 'ring-fence' or, properly speaking, designate some unrestricted funds for a purpose, such as a new church boiler. They can also *undesignate* to use for any purpose or re-designate for a new purpose, such as a new organ. It is worth looking at any significant designated funds to ensure that there is a real need and purpose behind the designation.

Restricted funds

The second chart indicated *restricted reserves*, monies that can only be spent on the purpose for which they were given. They cannot be used for day to day expenditure. However, they can be very important. A large restricted fabric fund, perhaps a result of a large legacy gift, can be most helpful in securing the good condition of the church building.

(Some churches hold permanent endowment funds: the capital cannot be spent, only the interest. Exclude endowments unless it is genuinely an *expendable* endowment where the capital *can* be spent. In this case include it in reserves as either unrestricted or restricted according to the terms of the endowment.)