New Zealand Chess Federation Incorporated Reserves Policy

Adopted by NZCF Council 17/12/2023

Financial Statements

The NZCF shall, in its statement of financial position, hold its accumulated cash reserves in the following funds:

1. Reserves
2. Asset Replacement Fund
3. Working Capital

Investments

In practical terms, the cash that forms these reserves should be held as follows:

1 & 2 – in an investment account(s) such as a term deposit so as to maximise interest revenue, and minimise the risk of capital loss.

3 – in a current bank account.

Usage

1. Reserves

These funds can be used to finance the normal operations of the NZCF should there be a substantial drop in income or increase in expenditure which fully depletes working capital.

2. Asset Replacement Fund

These funds can be used to finance the purchase of any replacement or new assets that the NZCF may need.

3. Working Capital

These funds can be used to finance the normal operations of the NZCF.

Reserve Levels

The desired level for each of the 3 funds is as follows:

1. Reserves

2 year's expenses plus an allowance for the Olympiad expenses

2. Asset Replacement Fund

The gross value of the NZCF's current assets – DGT Boards and Sets, DGT Equipment and DGT Clocks

3. Working Capital

Three months' worth of expenditure

Currently this would be approximately:

1 Reserves

$30,000 + $30,000 + $15,000 = $75,000

2 Asset Replacement Fund

$22,175

3 Working Capital

3 months, $30,000 pa = $7,500

Total Reserves = $105,000

Reserves should ideally be within 5% of these desired levels.

Utilising Funds

Funds should only be utilised with the consent of Council. Should a fund be utilised, every attempt should be made to return the fund back to it's desired level as soon as possible. Should this not be possible, a review of this policy is recommended.

Review

This policy should be reviewed every 2 years