



## AFA Foundation Reserves policy

### **Purpose**

The purpose of this policy is to outline various matters surrounding the corpus of funds the AFA Foundation ('Foundation') is retaining when receiving donations.

This policy should be read in conjunction with the ACNC Charity Registration Summary for the AFA Foundation as well as any other relevant Foundation guidelines.

This policy must be upheld by the AFA Foundation Chair, AFA Foundation Committee, AFA Board and AFA Head Office staff working on Foundation related matters.

### **Definition, Governance and Guidelines**

80% of every donation received at a specific event, is forwarded directly to the charity selected to receive funds from that event. The remaining 20% of donations from that event are retained at Foundation level. The donors are advised of this process verbally at events where funds are being raised. The charitable recipients are advised of this process via the initial engagement letter sent to them prior to the event taking place. The charitable recipients sign an acknowledgment that 20% of funds are being retained by the Foundation.

Should a donor donate a specific amount of funds for a particular charitable cause, and make specific mention that they would like the entire sum of the donation to go to a named charitable recipient, the National Chair of the Foundation can approve this on a case by case basis. An example of such could be a deceased estate wishing to donate funds for a specific purpose.

This % split of the donations directed to the charitable recipient and the retention of 20% to build a corpus of funds, is proposed by the National Chair in conjunction with the Foundation Committee and voted upon by the AFA Board ('Board'). If the Board approves the change, the change will become effective from an agreed date. This occurred in 2016 for the current 80%/20% split.

When determining the split, the Foundation Committee must aim to strike the best possible balance between supporting the core purpose of the Foundation (as outlined in the ACNC Charity Registration Summary for the AFA Foundation), and the reasons for establishing the corpus of funds. It must also consider how other foundations and DGR registered charities manage their split of funds to ensure consistency with other organisations and community expectations.

On an annual basis the National Chair should conduct or delegate to a committee member or AFA Head Office staff member, the analysis and review of this policy. This process should include an analysis of factors such as its operations, governance, staffing, clients, funding landscapes, liabilities and the external market.

The National Chair is responsible for keeping, or delegating to keep, accurate records of the funds held in reserves. Currently this has been delegated to the AFA Head Office finance department and is reviewed by the National Chair. The financial reports are also circulated to the Foundation Committee on a monthly basis for review.

## **Growth Strategy**

The strategy to grow our reserve corpus of funds is to retain 20% of all funds received as donations, and invest the funds in low risk interest bearing investment vehicles, such as a term deposit. Funds need to be available to utilise at short notice if required.

## **Reason**

The Foundation has chosen to retain a corpus of funds from donations to support the long term sustainability of the foundation. We need to invest into the growth of the Foundation and promote the charitable work we do, in order to reach even more people in need in future years. The Foundation is looking to help more people in need by building its profile within the AFA community across all states.

The Foundation Committee, AFA CEO and AFA Board are responsible for managing any risks to the Foundation, financial and otherwise. A corpus of fund allows us to have financial means at our disposal should an unexpected event occur.

The Foundation is looking to establish a strong financial track record and ensure the Foundation is solvent. Any third party (including the AFA Board, donors and AFA members) is expecting the Foundation to be a well-run, well governed and financially responsible and strong foundation. Having a solid corpus of funds built up (that is not excessive in size) will demonstrate this to all third parties. The stronger the Foundation can present itself to third parties the more likely it is that donors will make contributions, which will ultimately aid the Foundation.

## **Uses**

The corpus of funds collected can only be used for purposes aligned to our purpose - i.e. in furtherance of the Foundation's charitable purposes.

Currently we have defined the uses of the corpus of funds as follows. These uses are subject to change if a change has been proposed by the Foundation Committee and approved in writing by the AFA Board or AFA CEO.

Acceptable uses are currently set as:

- Funds to be invested until needed
- Funds to be used to pay for any expenses that allow us to raise money (for example the registration fee to use Everyday Heroes online donation and receipting platform)
- Funds to be used to promote the work of the Foundation
- Funds to pay for any legal expenses incurred to defend the Foundation or to sue a counterparty
- Funds for or all of a large event or project to promote the overall cause and purpose of the Foundation
- Funds for pilot programs when testing new ideas and initiatives to eventually aid the cause and purpose of the foundation
- Funds to improve infrastructure (eg new donor database or website development)
- Funds to donate to a charity
- Funds to pay for annual audits of financial records and to meet regulatory requirements
- Any purpose that will lead to us achieving our goal of providing financial assistance to more charities that has been proposed by a committee member and approved by the majority of the committee members during a monthly meeting or via written (mail, email) vote.

All non standard / large expenses are to be approved in writing by the National Chair and AFA CEO or AFA Board before being incurred.

Prohibited uses are currently set as:

- Funds cannot be used to cover personal expenses of the Foundation Committee, AFA Board or an AFA member incurred in the Foundation's work.
- Funds for any purposes that would contradict the ACNC Charity Registration Summary for the AFA Foundation
- Funds for any purposes vetoed by the Foundation Committee, AFA Board or AFA CEO as documented in committee meeting minutes, board meeting minutes or via email correspondence.

### **Investment Strategy**

The Foundation outsources the investment of the corpus of funds to AFA Head Office finance team and the AFA Board.

The Foundation consider funds invested in low risk, liquid investments to be suitable for the corpus of funds. For example, a term deposit at a secure financial institution in Australia.

The Foundation prefers not to invest in investment vehicles that include underlying investments in gambling, tobacco or alcohol.

### **Distribution of Funds to a Charity**

Once the corpus of funds has reached AUD\$100,000 a process for inviting submissions from the AFA membership base to distribute some of the corpus to charities will be established and documented.

The intention is that the AFA membership base will be invited to vote on a short list of charities to receive the funds, so that it is a member driven decision.

Until this process is established, the corpus of funds cannot be used to distribute funds to a charity.

### **Policy Review**

On an annual basis the National Chair should conduct or delegate to a committee member or AFA Head Office staff member, the analysis and review of this policy. This process should include an analysis of factors such as its operations, governance, staffing, clients, funding landscapes, liabilities and the external market.

If a change is required, this should be documented and presented with a rationale to the AFA Board for review and approval at a board meeting.

The updated policy should then be posted on the AFA Foundation webpage for AFA members to be able to view as desired.