



RESERVES POLICY

(i) *Music as Therapy International* has a Reserves Policy which recognises the need to:

- hold sufficient free reserves to manage unforeseen financial risk;
- ensure that free reserves held are not excessive.

(ii) The minimum and maximum levels of reserves held each year are discussed and agreed by the Trustees at the end of the first quarter:

- **Minimum:** to ensure the appropriate management of unforeseen financial events, the charity undertakes a Vulnerability Review in the first quarter each year. This identifies the level of free reserves required to cover a minimum of 6 months' running costs. This is agreed with the Trustees as the minimum level of free reserves to be held.
- **Maximum:** the Trustees agree an annual expenditure budget at the start of every year. This is set as the maximum level of free reserves to be held. An equivalent to free reserves is held as cash or in short-term deposits to ensure that they are readily realisable.

(iii) Management of free reserves:

- It is understood that levels of income and expenditure vary across the year and may generate short-term breaches of this policy. A breach to the maximum levels of Reserves held only may be tolerated if its depletion can be forecast within a defined period, informed by planned activities and associated anticipated expenditure considered alongside forecast income for the same period.
- The Director reviews free reserve levels periodically to ensure that the maximum or minimum levels are not going to be breached. To the extent that there is a risk of a significant breach the Trustees will be informed.
- The level of free reserves is also discussed and minuted at each Trustees' Meeting.
- The Trustees may on occasion designate funds out of free reserves where funds are earmarked for a particular project or essential future spending.
- Reserves may only be released to take free reserves below the minimum free reserves level with the express agreement of the Trustees.

(iv) The charity's Reserves Policy is reviewed at the second Trustees' Meeting of each year (May).

Last review: October 2024
Date of next review: April 2025