

LARGE LEGACIES & DONATIONS

PREAMBLE

Like many small charities, Equilibria occasionally receives large legacies and donations unexpectedly.

Where such legacies/donations are large in relation to the charity's typical or budgeted annual income they can have a very distorting influence on the charity's financial situation. In particular, if such legacies/donations significantly increase the charity's reserves and are therefore to be disbursed as soon as is reasonably practical thereafter, they can create "feast and famine" situations. This can distort the charity's priorities for meeting its charitable objects and might lead to Equilibria taking on commitments which are not sustainable once the legacy funds have been exhausted.

In order to avoid such distortions Equilibria has adopted a Large Legacies & Donations Policy which is intended to ensure a more controlled and evenly distributed disbursement of the legacies that it receives.

Within this policy the use of the terms Designated Funds, Restricted Funds and Reserves have the following meanings as defined in the Charity Commission's Glossary of Terms <http://ogs.charitycommission.gov.uk/glossary.aspx>

Designated fund

"Unrestricted funds are expendable at the discretion of the trustees in furtherance of the charity's objects. If part of an unrestricted fund is earmarked for a particular project it may be designated as a separate fund, but the designation has an administrative purpose only, and does not legally restrict the trustees' discretion to apply the fund."

Restricted funds

"Restricted funds are funds subject to specific trusts which may be declared by the donor(s), or with their authority (e.g., in a public appeal), but still within the objects of the charity. Restricted funds may be restricted income funds, which are expendable at the discretion of the trustees in furtherance of some particular aspect(s) of the objects of the charity, or they may be capital funds, where the assets are required to be invested, or retained for actual use, rather than expended."

Reserves

"The term 'reserves' has a variety of technical and ordinary meanings, depending on the context in which it is used. In our guidance we use the definition established by the charities (Accounts and Reports) Regulations 2008 and we use the term 'reserves' (unless otherwise indicated) to describe that part of a charity's income funds that is freely available for its general purposes. 'Reserves' are therefore the resources the charity has, or can make, available to spend, for all or any of the charity's purposes, once it has met its commitments and covered its planned expenditure. See OG 43 B1. More specifically this defines reserves as income which becomes available to the charity and is to be spent at the trustees' discretion in furtherance of any of the charity's objects (sometimes referred to as 'general purpose' income); but which is not yet spent, committed or designated (i.e.: is 'free')." Attention is also drawn to the Charity

Commission's publication CC19, Charities and Reserves

<https://www.gov.uk/government/publications/charities-and-reserves-cc19>

RESTRICTED LEGACIES/DONATIONS

Restricted legacies/donations are restricted funds and are received and disbursed in accordance with the terms of the trust under which they were donated.

As with any restricted legacy/donation offered to Equilibria, the Trustees will decline to accept large, restricted legacies/donations which, in their view:

- ✓ Are inconsistent with the charitable objects of Equilibria;
- ✓ Would inappropriately distort Equilibria's charitable priorities and/or its operational ethos;
- ✓ Would require the allocation of additional resources (e.g.: human, physical, financial) which Equilibria does not have, or would be to the detriment of its other charitable activities, either immediately or once the legacy has been exhausted.

UNRESTRICTED LEGACIES/DONATIONS

Unrestricted legacies/donations are funds donated to Equilibria for general use at the discretion of the Trustees to further its charitable objects.

The Trustees of Equilibria have resolved to create a specific Legacies Designated Fund the purpose of which is to enable the Trustees to manage large legacies/donations to Equilibria in an efficient and effective manner to best promote Equilibria's objects and the Public Benefit. This policy provides for the steady and controlled release of such funds into the charity's reserves in order to avoid the financial distortions and instabilities which can be created by the irregular and unexpected receipt of significant legacies/donations to the charity.

As with any designated fund, having due regard for the needs and best interests of Equilibria the Trustees may, at any time, resolve to manage the Legacy Designated Fund on an interim basis in a manner other than as described in this policy. This might include, for example, the need to manage a short-term cash-flow problem or to fund a specific project or acquisition that would not be affordable under Equilibria's regular income.

Note: As the charity's Legacies Designated Funds are committed/designated for release back into the general fund at a specific time in the future for the specific purpose of stabilising the charity's cash-flow they are not considered to be part of the charity's reserves.

Transfers to the Legacies Designated Fund

The Charity's Threshold for the transfer of funds between its General and Legacies Designated Fund shall be £1000.

TRUSTEES TO PICK OPTION:

Option 1 - DELETE AFTER DECISION

Individual Threshold:

Individual Legacies/Donations which are below the Threshold are added to the General Fund at the time that they are received. Where the amount of an individual legacy/donation exceeds the Threshold, the Threshold portion is added to the General Fund at the time that the Legacy/donation is received and the excess over the Threshold is transferred to charity's Legacies Designated Fund.

Option 2 – DELETE AFTER DECISION

Aggregate Threshold:

Legacies/Donations up to the Threshold in aggregate received in any financial year are added to the General Fund at the time that they are received.

Any excess over the Threshold of the aggregate of legacies/donations received in any financial years transferred to charity's Legacies Designated Fund at the time that the excess legacies are received.

Transfers from the Legacies Designated Fund

TRUSTEES TO PICK OPTION:

Option 1: DELETE AFTER DECISION

Fixed Rate Transfer

On the first day of each of the 4 financial years following a financial year in which an excess over The Threshold of legacies is received 1/4 of the excess of legacies received in that Financial Year will be transferred from the Legacies Designated Fund back into the General Fund of Equilibria. For the avoidance of doubt, the amount transferred each year is cumulative. For example: If the Threshold is £5,000; in year-1 the excess of legacies is £4,000; in year-2 it is £20,000, and no further legacies are received thereafter:

- ✓ In year-1 the General Fund will receive just the £5,000 Threshold from the legacies received in that year;
- ✓ In year-2 the General Fund will receive the £5,000 Threshold from the legacies received in that year PLUS the amount transferred from the Legacies Designated Fund of $£4,000/4 = £1,000$
- ✓ In year-3 The Charity receives no additional legacies, so the General Fund receives just the $£4,000/4 + £20,000/4 = £6,000$ transferred from the Legacies Designated Fund
- ✓etc.

Option 2 – DELETE AFTER DECISION

Proportional transfer

On the first day of each financial year 1/4 of the amount held in the Legacies Designated Fund, or the Threshold, if greater, will be transferred from the Legacies Designated Fund back into the General Fund of The Charity until the Legacies Designated Fund is empty. For example: If the Threshold is £5,000; in year-1 the excess of legacies is £4,000; in year-2 it is £20,000, and no further legacies are received thereafter:

- ✓ In year-1 the General Fund will receive just the £5,000 Threshold from the legacies received in that year;
- ✓ In year-2 the General fund will receive the £5,000 Threshold from the legacies received in that year PLUS the amount transferred from the Legacies Designated Fund of $£4,000/4 = £1,000$, leaving a residue of £3,000 to which is added the £20,000 in excess legacies for that year;
- ✓ In year-3 The Charity receives no additional legacies, so the General Fund receives just the $£23,000/4 = £5,750$ transferred from the Legacies Designated Fund leaving a residue of £17,250;
- ✓ In year-4 $£17,250/4$ is less than the Threshold and so £5,000 will be transferred from the Legacies Designated Fund instead, leaving a residue of £12,250;
- ✓ Similarly, in years 5 & 6 £5,000 will be transferred from the Legacies Designated Fund leaving a final residue of £2,250;
- ✓ In year-7 the remaining £2,250 is transferred leaving the Legacies Designated Fund empty.