



NGO Reserves and Investment

CDC's Experience in Developing Reserves and Investment Policy

Sabrina Ho
Chairperson

9 October 2020

Igniting Learning Journeys
啟育學習旅程





Our Background

- Set up in 1976 by Mrs Sarah Roe, an occupational therapist
- Not-for-profit organisation
- The Child Development Centre (“CDC”) uniquely provides support to the widest spectrum of Special Educational Needs (SEN) issues in English and Chinese in Hong Kong
- Aims to help children up to 6 years old and their families
- Provides education, assessment and therapy under one roof
- Supports parents with parenting workshops and outreach programmes



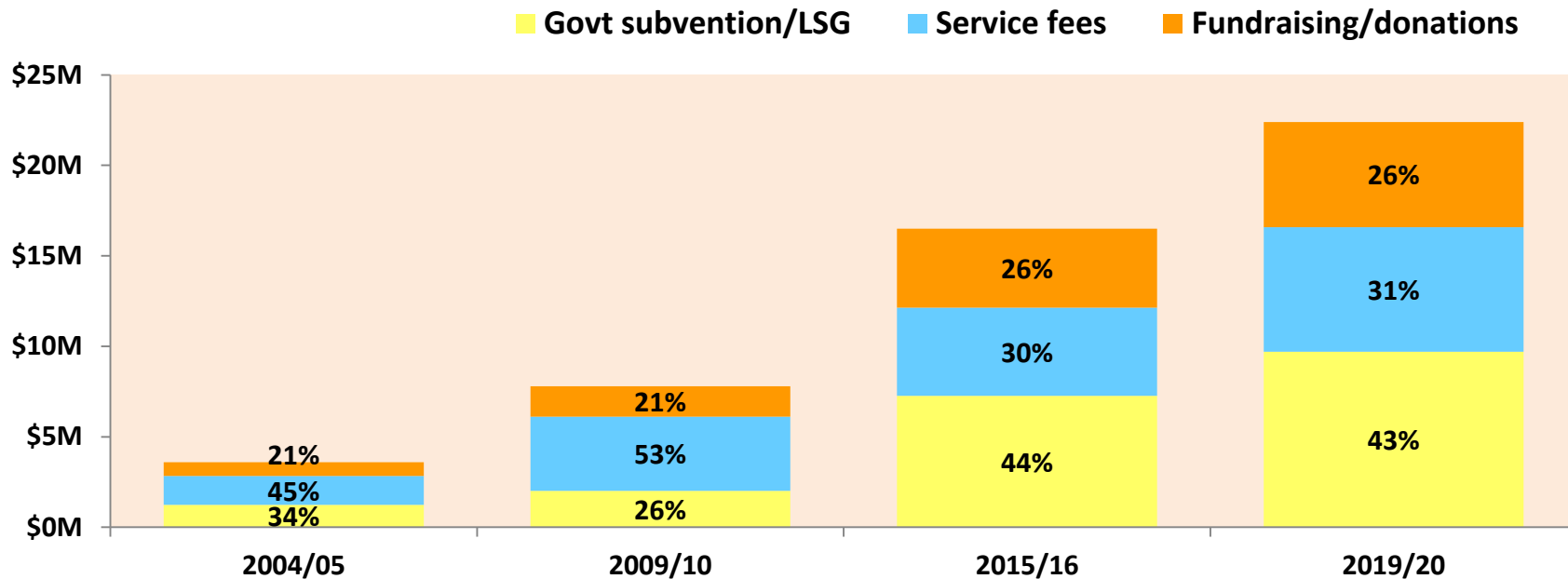


Funding Sources

- For the first 20 years self funded and relied heavily on donations
- Started to receive government subvention for part of our services in the form of Lump Sum Grant from Social Welfare Department in 1995
- However more than 50% of income is from
 - Service fees from self-financed programmes
 - Fundraising and donations



Funding Sources





Role of Exco & Finance Committee at CDC

- Executive Committee (“Exco”) has fiduciary duty for financial governance
- Be transparent and accountable to all stakeholders and donors
- CDC incurred deficits for many years. There was very little reserve
- Exco had to address the deficit issue and devised strategy
- Process started in 2003/2004
- New Chief Executive appointed in 2005 and worked closely with Exco to carry out strategy
- Finance Committee was first set up in early 2008





Membership of Finance Committee at CDC

- Important to have members with right skill set on Finance Committee
- Total 4 members in Finance Committee
- Finance Committee was first chaired by an investment banker
- Currently chaired by Honorary Treasurer who is a professional chartered accountant with many years of experience in senior financial management and advisory roles
- Other members over the years since inception have included investment banker, retired partner from Accounting Big 4 firm, business owner from education sector, and other accountants
- Finance Committee members do not have to be members of Exco





Duties of Finance Committee at CDC

- Review and approve annual budgets
- Ensure processes used for financial management are sound and secure
- Review financial information
- Monitor requirements of financial reporting, changes in accounting policies
- Monitor monthly income projections and reserves
- Monitor internal control and risk management
- Liaise with external auditors





Duties of Finance Committee at CDC

- Establish policy on operating reserve requirement to be approved by Exco
- Annual review of reserves
- Exco to approve Finance Committee proposals to transfer funds to/from Designated Reserves to General Reserve as necessary and always with approval from respective donor(s)
- CDC is too small to have separate Investment Committee
- Finance Committee is also responsible for setting investment policy





Reporting

- CDC management report to Finance Committee first every month on income projections and reserves forecast
- Honorary Treasurer then prepares monthly reports for Exco:
 - Profit and loss account
 - Balance sheet
 - Programme activities
 - Reserves status
 - Investments status





Building up the Reserves

– Turning deficit into surplus

- Restructured physical space provided by Matilda Hospital in 2005 which enabled more children to attend
- Expanded to second centre at Tang Shiu Kin Hospital to run Chinese programmes in 2010
- Consolidated to new premises in Wanchai in 2014 enabling more classes and programmes
- Regular review and revamp of services, allowing for more children to attend self-financed programmes





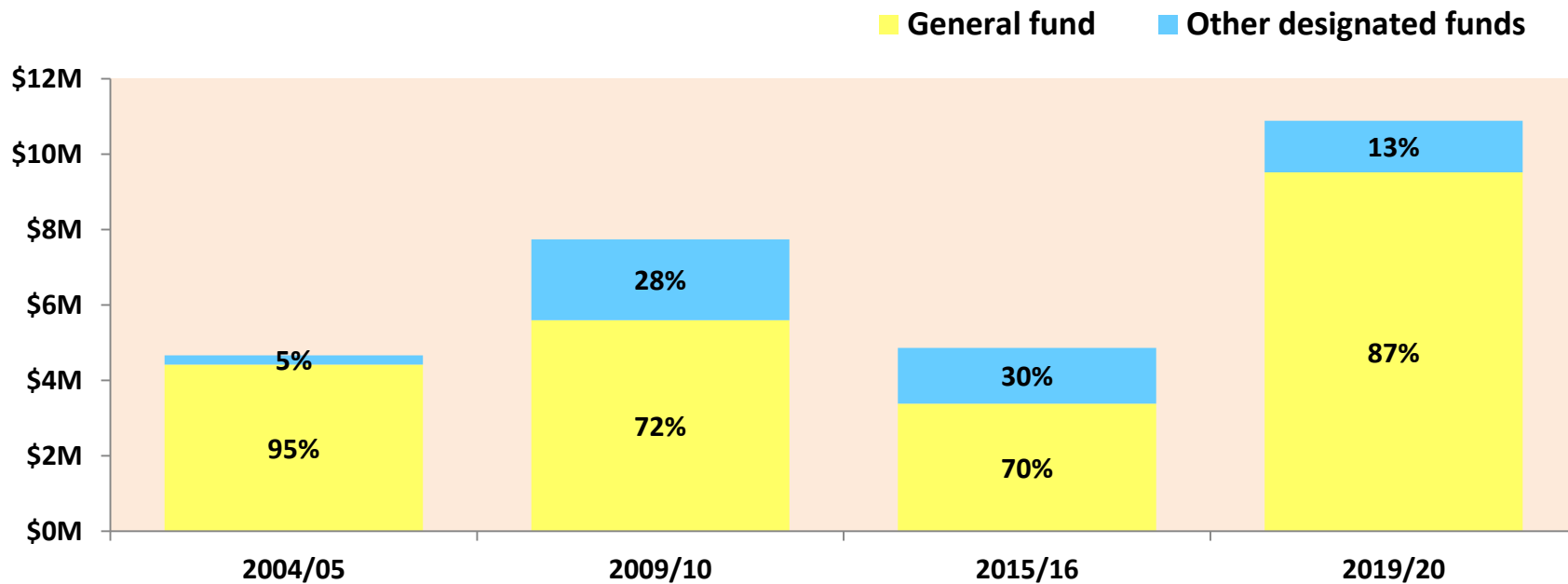
Building up the Reserves

- Since 2004 more structured approach to fundraising, not just relying on private donations
- Funds raised for the 2005 expansion exceeded actual spending. This was the first “seed” of the reserves
- One major annual fundraising event since 2010 (but 2020 event cancelled due to pandemic)
- Designated Funds (限定用途資金) were raised for specific purposes enabling general reserves (營運儲備) to build up





Reserves





Investment Policy

- Once Reserves started to build up, need to consider how best to invest the Reserves
- In 2008 Finance Committee started to research information on investment guideline for NGO
- Investment policy approved in the same year
- Policy reviewed and updated periodically, most recently in 2019
- Finance committee meets twice a year and by regular contact at least quarterly via emails to review and direct investment options





Investment Policy

- Set up objectives – income and/or capital growth
- Volatility of returns – maximum loss tolerated over defined period set at 10% over 1 year
- Types of investment
 - Cash equivalents 60% to 100%
 - Fixed income securities 0% to 20%
 - Equity securities 0% to 20%
 - Prohibited investments





Investments by CDC

- Tracker Fund (盈富基金) (2012 - 2019)
- RMB fixed deposits (2011 - 2015)
- Fixed HKD deposits (3 months & 6 months)





Importance of Setting Policies

- Good governance – transparency and accountability
- State strategies and objectives
- Provide framework to make decisions
- Need periodic review and update

