

# Solvency Statement

## What is solvency/insolvency?

'Solvency' is defined in s 95A (1) of the Corporations Act 2001 as "the ability to pay all debts as and when they become due and payable". A person or organisation who is not solvent is 'insolvent' (s 95A(2)).

P&Cs must not incur any debts if they are currently insolvent or there are reasonable grounds to expect they will be insolvent before or after a debt is incurred. Associations Incorporation Act 2015 (s 127).

Under Rule 1710.3 of the 2019 P&C Constitution, the Executive Committee are required to make a declaration that having reviewed and considered the P&C's current and projected financial position, it is their opinion the P&C is solvent and there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

It is of utmost importance that accurate financial records are kept so the Executive Committee can make this declaration with confidence.

P&Cs should note that the solvency statement is for the coming 12 months, not just until the end of a calendar year. For example, if the P&C signs the declaration in March, they are agreeing to being solvent through until March the following year.

## Guide to using this declaration:

1. At an Executive Meeting prior to the AGM, move the motion, "that the President signs a positive solvency declaration on behalf of the Executive Committee to be presented with the annual financial statements/review/audit (whichever is applicable) at the \_\_\_\_\_ (year) Annual General Meeting of the P&C."
2. Once this motion is carried, the President signs the declaration on behalf of the Executive Committee.
3. The declaration is then presented as part of the annual financial statement, review or audit at the next Annual General Meeting. The P&C then votes on approval of the financial statements/review or audit report. The outcome of the vote is minuted.

# Solvency Statement Declaration

We, the Executive Committee of the \_\_\_\_\_ Parents and Citizens Association Inc. declare, at an Executive Committee meeting held on \_\_\_\_/\_\_\_\_/\_\_\_\_\_, that having reviewed and considered the Associations' current and projected financial position, in the Executive Committee's opinion the Association is solvent and there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable.

Signed by the P&C President on \_\_/\_\_\_\_/\_\_\_\_ (date), on behalf of the Executive Committee of the \_\_\_\_\_ Parents and Citizens Association Inc.

P&C President signature \_\_\_\_\_

P&C President full name \_\_\_\_\_

A downloadable version of the Solvency Statement and Declaration is available on the WACSSO website, under templates and forms:

[www.wacssso.wa.edu.au/resources/pc-resources/](http://www.wacssso.wa.edu.au/resources/pc-resources/)