



<b>Supported Partner Deficit Funds Policy</b>			
Document Type	Committee – CIAC	Last Reviewed	September 14, 2021
Date Adopted	September 14, 2021	Approved	September 14, 2021

## 1. Principles

United Way Perth-Huron (UWPH) has a public responsibility to be a good steward of the monies entrusted to it by donors. To fulfill this responsibility, United Way must ensure that its funds are being used in the most effective and prudent manner to provide needed services to the community. As such, UWPH shall not fund a Supported Partner (SP) whose short-term viability is in question.

This policy is intended to provide direction for SP in its financial planning and to assist United Way in its evaluation of a SP's financial status while ensuring that funds are allocated where there is the greatest need.

The UWPH recognizes the funding challenges facing many community-based not-for-profit agencies. Yet, UWPH expects SP's to exhibit responsible financial management practices including but not limited to some level of reserve to buffer the effect of unexpected funding shortfalls or expenditure increases.

This policy is in alignment with generally accepted accounting practices and terminology.

## 2. Definitions

### 2.1. Deficit

A deficit represents an excess of expenditures incurred over funds received in a particular program, or for the overall SP, during a fiscal year.

### 2.2. Surplus

An operating surplus represents an excess of funds received over expenditures incurred by a SP during the fiscal year. This could result from the reduction of expenses or funds being received in excess of budget. It could also result when a budgeted expenditure is postponed from one year to the next.

### 2.3. Reserve

A reserve (also known as an accumulated surplus) is the total of surpluses retained over a number of years.

## 3. Guidelines

### 3.1. Financial Assessment

The Financial Assessment Tool is the mechanism used to measure the impact of a deficit. For example, the Financial Assessment Tool calculates a defensive interval

ratio, which measures the resources available to support the non-profit, measured in months.

Supported Partners are to prepare their financial statements in accordance with Generally Accepted Accounting Principles

#### **4. Procedure**

##### **4.1. Organizational Deficit**

In the event that after the aforementioned assessment, the SP falls outside the ideal range for Defensive Interval, the UWPH will consider whether the cash flow/funding cycle of the SP accommodates (Unrestricted or General) Reserves under the ideal range.

UWPH will not provide funds to cover a deficit. In its stewardship role, UWPH is concerned with the viability of SP's. To fulfill this responsibility, UWPH will give scrutiny to the causes, results, and management of a significant or recurring deficit.

##### **4.2. Evident Unanticipated Deficit**

Because of the inherent complexities of budget issues and the distinct financial status of each SP, it is understood that discussions regarding a deficit may need to occur beyond the normal community investment process, to ensure a clear understanding of the causes, results and management of the situation. A SP should inform UWPH staff at any time during the year if a deficit that was not anticipated becomes evident.

Should there not be adequate explanation of an organization's deficit, UWPH may reduce or rescind UWPH funding accordingly. In this circumstance, CIAC would:

1. Make the recommendation to the Board for approval.
2. Provide the SP with written notice of the reduction, including the reason and noting inadequate justification of the deficit.