



Supported Partner Surplus (Reserve) Funds Policy			
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Reference Document: Defunding Policy (All4)
Emergent/Emergency Need Grant Policy (All6)
Appeals Policy (All1)

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 contribute to the development or increase of an Undesignated (Unrestricted or General) Reserve or surplus when there are many needs in the community for which funds are required.

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. 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.

2.2. Accumulated Surplus

An accumulated surplus is the total of surpluses retained over a period of time. An accumulated surplus may or may not be put into a reserve.

2.3. Reserve Fund

A reserve fund is a savings account or other liquid asset held for anticipated future expenditures.

2.4. Undesignated (Unrestricted or General) Reserve

These are funds that do not have any:

- a) External restriction on their use or purpose (Endowment Fund (# 2 below), and Restricted Reserve (# 3 below) and;
- b) Internal restrictions for which there is a substantiated requirement for these funds to ensure the long-term viability of the SP (Designated Reserve (# 4 below).

2.5. Endowment Fund

This fund (or account) consists of property (often in the form of cash or investments acquired by gift or bequest), the income from which is used for general or specific purposes, according to the conditions attached to the gifts, and the principal of which must be maintained intact or applied to the purposes of the gift.

2.6. Restricted Reserve

These are funds that are restricted (in terms of use) by outside organizations or persons, as contrasted with funds over which the SP has complete control and discretion.

2.7. Designated Reserve

These are funds set aside by a SP's Board of Directors for specifically designated, clearly spelled out purposes. These would include funds set aside for Capital Reserves.

3. **Guidelines**

Guidelines to assess a SP's Undesignated (Unrestricted or General) Reserve will involve both a Quantitative and Qualitative assessment as follows:

3.1. Quantitative Financial Assessment

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

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

3.2. Qualitative Assessment:

- Reliability of the sources of funding (the greater the uncertainty of funds from a particular source, the greater the need for an adequate accumulated reserve to be maintained).
- Intended use of the accumulated reserve (operating deficits; postponed expenditures; repair/renewal of fixed assets; capital expansion; contingencies; etc.).
- SP must specify accumulated reserve versus liabilities in order to assess reasonableness.
- Rate of growth of an accumulated reserve. (Interest on a designated accumulated reserve normally is credited to that fund.)
- Past use of an accumulated reserve.
- Percentage of the SP's revenue provided by United Way funding.

4. **Procedure**

4.1. Unanticipated Surplus

With the inherent complexities of budget issues and the distinct financial status of each SP, it is understood that an unanticipated organizational or program/service surplus may occur during a funding period. A SP should inform UWPH staff at any time during the year if a surplus that was not anticipated becomes evident.

4.2. Organizational Surplus

In the event that after the aforementioned assessment, the SP falls outside the ideal range for Defensive Interval, the UWPH will consider whether:

- The SP can demonstrate an intended use that will bring the Undesignated (Unrestricted or General) Reserve within the guideline range of 3-6 months within the fiscal year of funding; and/or
- The SP can demonstrate an exceptional circumstance that necessitates the maintenance of an Undesignated (Unrestricted or General) Reserve in excess of the guideline range of 3-6 months.

4.2.1. If CIAC is not satisfied with or does not receive adequate explanation of an organization's surplus, UWPH may reduce or rescind funding according to the Defunding Policy (All4). The SP is not able to appeal this decision per the Appeals Policy (All1).

4.3. Program/Service Surplus (for program being funded by UWPH)

If during UWPH's funding term, a SP does not disburse the program/service expenses, which have been approved by UWPH, the SP shall:

- a) Notify UWPH in writing of the amount that has not been spent, no later than April 30 (thirty days after the end of UWPH's funding term).
- b) Repay funds allocated by UWPH and not spent on approved program expenses no later than April 30 (thirty days after the end of UWPH's funding term), unless an agreement is made with UWPH otherwise.
 - Returned funds will be reallocated to the Emergent/Emergency Need Grant Fund (per the Emergent/Emergency Need Grant Policy (All6))