



Supported Partner Deficit Funds Policy			
Document Type	Committee – CIAC	Last Reviewed	October 15, 2022
Date Adopted	September 14, 2021	Approved	October 15, 2022

Reference Documents: Defunding Policy (All4)
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 a steward of donor dollars, UWPH is concerned with the viability of Supported Partners and UWPH funded programs/services. 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. Organizational Deficit

An organizational deficit represents an excess of expenditures incurred over revenues for an organization for a fiscal year.

2.2. Program/Service Deficit

A program/service deficit represents an excess of expenditures incurred over funds received for a UWPH funded program/service for a fiscal year.

3. Guidelines

3.1. Financial Assessment

Supported Partners are to prepare their financial statements in accordance with Generally Accepted Accounting Principles. The Financial Assessment Tool is the mechanism used to measure the impact of an organizational deficit. For example, the Financial Assessment Tool calculates a Defensive Interval ratio, which measures the number of months that resources are available to support the non-profit.

3.2. Budget vs. Actuals

Supported Partners are required to submit a budget versus actuals to UWPH at least annually in their year-end report. This helps CIAC to understand the financial viability of the program/service being funded by UWPH.

4. Procedure

4.1.1. Unanticipated Deficit

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 deficit may occur during a funding period. A SP should inform UWPH staff at any time during the year if a deficit that was not anticipated becomes evident.

4.2. Organizational Deficit

4.2.1. UWPH will not provide funds to cover an organizational deficit.

4.2.2. 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.

4.2.3. To fulfill this responsibility, UWPH will give scrutiny to the causes, results, and management of a significant or recurring organizational deficit. Therefore, when a SP has a significant or reoccurring deficit, the Community Impact & Allocations Committee (CIAC) will follow up with the SP to get clarification on:

- cause(s) of the deficit;
- impact of the deficit on the organization; and,
- how the organization is managing the deficit to ensure long term viability.

4.2.3.1. If CIAC is satisfied with the clarification provided, no further action will be required in the current year. CIAC will continue to monitor the organization's financial viability annually using the financial review assessment.

4.2.3.2. If CIAC is not satisfied with or does not receive adequate explanation of an organization's deficit, 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 Deficit

4.3.1. UWPH will not provide funds to cover a program/service deficit.

4.3.2. To fulfill this responsibility, UWPH will give scrutiny to the causes, results, and management of a significant or recurring program/service deficit. Therefore, when a SP has a significant or reoccurring program/service deficit, the Community Impact & Allocations Committee (CIAC) will follow up with the SP to get clarification on:

- cause(s) of the deficit;
- impact of the deficit on the program/service; and,
- how the organization is managing the deficit to ensure long term viability for the UWPH funded program/service.

4.3.2.1. If CIAC is satisfied with the clarification provided, no further action will be required in the current year. CIAC will continue to monitor the program/service financial viability annually using the budget vs. actuals provided in the annual report.

- 4.3.2.2. If CIAC is not satisfied with or does not receive adequate explanation of a program/service deficit, UWPH may reduce or rescind funding according to the Defunding Policy (All4).