

Excerpt from United Way Newfoundland and Labrador *Funding Application Guide 2017*

APPENDIX C: POLICY ON AGENCY RESERVES

Definitions of Agency Reserves

United Way Newfoundland and Labrador recognizes each Agency's option to create any one or all of the following:

Reserve Accounts

1. Un-designated (General) Reserves: These are funds that have no external restriction on their use or purpose – that is, funds that can be used for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes (e.g. for operations, facilities, endowments). Such a reserve account offers agencies considerable flexibility in terms of use and access. While such an account is recognized by United Way Newfoundland and Labrador, revenues to such an account that are the result of program surpluses will be scrutinized by United Way Newfoundland and Labrador in terms of United Way Newfoundland and Labrador policy on surpluses and deficits.
2. Designated Reserves: These are unrestricted funds set aside by an Agency's Board of Directors for specific and clearly spelled out purposes.
3. Restricted Reserves: These are funds that are restricted (in terms of use) by outside organizations or persons, as contrasted with funds over which the Agency has complete control and discretion.
4. 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.

Principles:

1. That each Agency should be able to maintain a non-designated reserve to deal with a potential funding crisis. It is our belief that every Agency should be in a position to meet any outstanding obligations to staff and clients.
2. That each Agency should be able to maintain a minimal level of operation to provide an opportunity to obtain bridge funding or realize alternate sources of funding, or that the Agency have an opportunity to transfer all clients cases and make appropriate referrals of clients in the event that it is not able to continue.
3. That each Agency should not be penalized for efficient financial management allowing them to create a reserve fund.
4. That each Agency should not have large non-designated reserve funds. Designated funds such as capital funds or bequests that are designated for specific uses should be distinct from non-designated reserve funds.
5. United Way Newfoundland and Labrador should not be contributing to the development of a surplus or reserve fund when there are so many unmet needs in the community for which funds are not available.
6. United Way Newfoundland and Labrador funds immediate community needs annually and invests its allocations in programs and services that are responsive to urgent critical care.

Based on these principles, United Way Newfoundland and Labrador cannot provide funds to an Agency whose non-designated reserves exceed 10% of their operating budget or three months of their staff commitments, whichever is higher. In cases where the Agency exceeds these limits, United Way Newfoundland and Labrador will consider whether:

1. The Agency can demonstrate an intended use that will bring the fund below the designated limit in the fiscal year being funded.
2. The Agency can demonstrate an exceptional circumstance that necessitates the maintenance of a reserve fund in excess of the 10% or three month commitment limit.

In the event that an Agency cannot justify satisfactorily to United Way Newfoundland and Labrador the reason for reserve funds in excess of the suggested amounts, United Way Newfoundland and Labrador reserves the right to withhold any further funding to the Agency.