



## **AGENCY RESERVES & SURPLUS/DEFICIT**

The United Way recognizes each agency's option to create any one or all of the following. A policy on Agency Reserves is being developed by the United Way Board of Directors and will be forwarded after approval.

### **Reserve Accounts:**

**Endowment Fund:** This fund (or account) consists of property (often in the form of cash investments acquired by gifts or bequests), whose income 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.

**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.

**Designated Reserves:** These are unrestricted funds set aside by an agency's Board of Directors for specific and clearly spelled out purposes.

**Undesignated 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, endowment). Such a reserve account offers agencies considerable flexibility in terms of use and access. While such an account is recognized by the United Way, revenues to such an account that are the result of program surplus will be scrutinized by the United Way in terms of United Way policy on surplus/deficits.

**NOTE:** Capital Reserves held by an agency are included in these definitions and must also be considered in replying to the questions in Agency Reserves Questionnaire below.

**Surpluses/Deficits:** This is the difference between revenues and expenses for the year. Accumulated surpluses/deficits represent the unrestricted net assets of the organization that are available, or have to be recovered in the case of a deficit, for carrying out its service delivery activities in the future.