



Boston Free Library Fund Balance and Reserve Funds

The Boston Free Library may have more than one accounting fund.

- The *Operating Fund (Contract Account)* is the account from which the library's day-to-day income and expenses are received and disbursed and is usually the account through which most receipts pass. This is the primary fund for the library's annual budget.
- The *Association Account* is a separate account established for donations and moneys specifically for the use of the Boston Free Library. Some of these funds may have been designated for specific use at their donation.
- The *Capital Fund* is a separate account established for special one-time, unusual, and usually high-cost activities such as construction, renovation, or major equipment purchases that cannot be completed through the Association account.
- The *Endowment Fund* is a separate account whose purpose is to generate supplemental revenue for the library. Often such funds are designated for specific purposes.

The library board may establish other special purpose funds for accounting and planning purposes. Monies may be transferred into and out of such funds only with formal board approval at an open meeting. It is common for the library to maintain an *undesignated fund*, or *fund balance* to meet the cash flow requirements of the organization.

Having acquired funds from local government, community taxpayers, or other sources, the board has an obligation to spend the money. Although a reserve fund is prudent and appropriate, the library should not hold excessive amounts of money. There should be justification, based in reality, for all reserve funds.

Each fund must be defined in the Library's Reserve Fund Policy and its purpose understood by every trustee. There is no limit to such reserve funds in law or regulation, but recent State Comptroller's audits have questioned extraordinary reserves (i.e. in excess of the library's annual budget) when not designated for specific purposes.

Funds in excess of regularly needed operating costs in unrestricted or private accounts may be kept in CDs.