

Grant Writing Toolkit for Museums

Appendix 6

Different types of funds your organisation can hold

The funds your organisation holds can fall into different categories:

- **Restricted funds** are funds set aside and used by a charitable organisation for a particular purpose because of giving by an external party. They are restricted to that specified purpose and cannot be used for other expenses.
- **Unrestricted funds** are funds that the organisation may use for any purpose so long as it meets the aims and objectives of the organisation as outlined in their governing document. Organisations may use unrestricted funds towards operating costs for the organisation or costs that may be more difficult to fund through fundraising or donations. Designated funds and general funds are both unrestricted funds.
- **Designated funds** (or designated reserves) are unrestricted funds that the trustees of the organisation have set aside for a particular purpose; these funds can be undesignated or re-designated where deemed appropriate through formal approval by the board.
- **General funds** are unrestricted funds that have not been designated for a particular purpose and can be spent as deemed fit by the board.
- **Endowment funds** are funds which the board are legally required to invest and/or to hold and use for the charity's purposes, and sometimes more specific purposes. Endowments may be expendable or permanent as set out in relevant documents and policies.
- **Free reserves** are the part of a charity's unrestricted funds that are freely available to spend on any of the charity's purposes. Free reserves therefore exclude:
 - tangible fixed assets used to carry out the charity's activities, such as land and buildings

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- programme-related investments held solely to further the charity's purposes
- designated funds
- commitments that have not been provided for as a liability in the accounts