



Endowment & Gift Funds Administrative Procedure

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Authority Policy
Responsible Office Assistant Vice President for Finance & Controller

PURPOSE

The purpose of this procedure is to account for multiple funding sources and ensure that donor-restricted resources are used for their intended purpose in a manner that meets the University's obligation of financial stewardship.

RESPONSIBILITIES

Primary Guidance

U.S. Generally Accepted Accounting Principles (U.S. GAAP)
FASB ASC Topic 958-605-15-2 Not-For-Profit Entities Accounting for Contributions Received and Contributions Made
Uniform Prudent Management of Institutional Funds Act, UPMIFA

Responsible University Office or Officer:

A.V.P. for Finance & Controller/ Endowment & Gift Accounting

Who Is Governed By This Administrative Procedure:

University Finance Division
University Business Administrators
Advancement

Who Should Know This Administrative Procedure:

Finance Division Administrators and Staff
University Business Administrators
Advancement

Exclusions & Special Situations

None

Highlights of Revisions, by Date

None

Overview and Responsibility

Funds are recorded as restricted due to spending restrictions imposed by a donor. The University is responsible for ensuring that the expenditure of donor-restricted funds is in accordance with these restrictions and that the funds are properly classified on the financial statements. For this reason, the most effective way to demonstrate compliance with purpose or time restrictions is to charge all expenditures to the appropriate donor-restricted fund(s) at the time of coding the invoice, even if that means charging portions of a financial transaction to several funds. However, it is understood that, in some cases, it is impractical to allocate detail transactions in this manner. In certain instances, it is necessary to transfer donor-restricted funds to conduct University business. This action is called a fund transfer in the general ledger system. If facts and circumstances give rise to the use of a fund transfer, a member of the University's Financial and Accounting Services group (FAS) will determine whether the transfer is allowable or unallowable based on the University's ability to properly account for the expenditure of the restricted resources. *All transfers to and from restricted accounts will be initiated by the FAS group.*

Donor-restricted funds

Endowment and gift funds are considered donor-donor-restricted funds. There are two types of donor-donor-restricted funds in the University's GL system:

1. Endowment Spendable Funds– ERxxx
2. Restricted Contribution Funds - RCxxx

Endowment spendable funds include quarterly endowment distributions from individual endowment funds established for a variety of purposes and additional gifts from a donor. Restricted contribution funds include temporarily restricted gifts subject to donor-imposed restrictions that will either be met by actions of the University and/or the passage of time. In accordance with U.S. GAAP, if an expense is incurred for a purpose for which both unrestricted and donor-restricted funds are available, the donor restriction is considered to be met up to the expenditure amount and should be utilized as a source of funds. In addition to ensuring that the donor restrictions are properly met, it is also important that no charges be assessed to these funds unless adequate resources are available.

Guiding Principles for Expenditures

To ensure compliance with purpose and time restrictions of donor-restricted funds, all invoices, payroll, and purchasing card transactions should be charged directly to the approved fund(s). If a mistake has been made, and a charge that should have posted to an ERxxx or RCxxx fund is charged elsewhere, that charge can be moved. This should be done via journal entry and the account code on the original charge should be used when preparing the journal entry.

Example:

A charge for travel was incorrectly posted to 111111(fund)-100000 (org)-54010 (account) when donor-restricted funds were to be used. The correcting journal entry would be to debit ERxxx-54010 or RCxxx-54010 and the credit 111111-100000-54010.

A copy of the invoice being moved should be attached to the journal entry. In order for the charge to be moved, the charge must meet the restrictions of the fund being debited.

FAS will review the journal entry to ensure that the expense is in compliance with the donor restriction.

If a department or financial manager wants to support an activity in another department by ‘contributing’ donor-restricted funds to the activity, any expenses should still be charged directly to the donor-restricted fund and must meet the restrictions of the fund. This can be accomplished in one of two ways:

- 1) The department holding the event sends the bill(s) to be paid to the manager of the donor-restricted fund, who then codes, signs and pays the bill. FAS will review the charge for allowability.
- 2) The department or financial manager who is contributing the funds sends written documentation to the department receiving the funds telling them exactly how much they can spend, the fund and account number to be used, and the allowable purpose. The department receiving the funds properly codes the expenditure(s) charging each approved fund and attaches the supporting documentation to the bill to be paid and submits the bill to the appropriate source (payroll, accounts payable, etc.).

Donor-restricted Fund Transfers

Donor-restricted funds should NOT be moved as a lump sum transfer via journal entry to another department or fund. Rather, as stated above, expenditures should be charged directly to the donor-restricted fund unless FAS determines that a fund transfer is allowable. In those instances where FAS has determined that a transfer is allowable, FAS will initiate the Journal Entry needed for the transfer.

Example:

Dept A wants to give Dept B \$500 to support an event which Dept B is hosting. Dept A cannot transfer a lump sum of \$500 to Dept B via journal entry. They must follow one of the methods outlined above.

Transfers from donor-restricted funds to donor-restricted funds:

In some instances, transfers between multiple donor-restricted funds are allowable, if the restrictions and/or reporting of both funds are not violated by such a transfer and FAS determines that the transfer is allowable.

Transfers from unrestricted funds to donor-restricted funds:

Under no circumstances will transfers be allowed from unrestricted funds to donor-restricted funds.

Transfers from donor-restricted funds to unrestricted funds:

In some instances, it is not feasible to allocate actual expenditures directly to the donor-restricted fund to meet the University’s financial management responsibilities. These instances are evaluated by FAS and a member of the University’s Budget and Financial Planning group (BFP) on a case-by-case basis ensuring that the University’s ability to account for the donor-restricted funds is not compromised. ONLY FAS will initiate and approve journal entries for the fund transfer(s).

REVIEW CYCLE

Annually.

DEFINITIONS

Source: Audit & Accounting Guide Not-for-Profit Organizations

Donor-imposed restriction - A donor stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws

Restricted fund - The accounting fund that holds the spendable portion of a gift to the University where the purpose of that gift has been specified by the donor. This same fund also holds a record of the activities of the University that relate to said gift. Recording both the gift and the expense to the same accounting fund allows the University to support to outside auditors and to the donor that the gift has been used appropriately. At Wake Forest University, such funds reside in Fund Type 20 and generally begin with an “RC” or “ER” designations.

Unrestricted fund -The accounting fund used to record the University’s activities that are supported by resources over which the governing boards have discretionary control. At Wake Forest University, such funds reside in Fund Type 10 and generally reside in fund “111111”.

CONTACT

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WEB ADDRESS FOR PROCEDURE