
1118 RESTRICTED AND UNRESTRICTED GIFTS

Effective: June 2012
Last Reviewed: March 2016
Last Revised:
Resp Office: Treasurer's Office
Approval: Treasurer's Office

POLICY

A donor who makes a restricted gift to the University requires that the gift cash (for gift funds) or the gift's investment income (for endowment funds) be spent for the purpose specified in the Gift Agreement or other document(s) establishing the gift. Appropriate stewardship of these donor-restricted funds requires that the costs of programs and positions supported by such gifts be covered first from the relevant donor-restricted funds before using the University's unrestricted funds. A fund's gift agreement is in essence a contract between the donor and the University which can be enforced by the Commonwealth's Attorney General and the Courts. The vast majority of those contracts require that the gift cash or endowment income be spent for the Fund's purpose; to accumulate the cash/income in those circumstances violates the contract's terms. Accordingly, a restricted endowed fund should show accumulated unspent income only when the supported program or position has not yet incurred enough cost in the given year to absorb all of the income. Accumulating income in an endowed fund or preserving principal in an operating gift fund by spending unrestricted funds for the supported purpose violates the donor's intent. Generally Accepted Accounting Principles also require that our financial records and statements properly reflect the qualifying expenditures as reductions in gift balances at the time they are expended.

ISSUE

Over a period of years, the University has accumulated cash in many donor-restricted funds. The University's unrestricted cash has been used to fulfill a purpose where an operating gift fund or the income from an endowment fund was available to support it. The Treasurer's Office and School/Centers are in the process of auditing these fund balances. Once it has been confirmed that unrestricted funds were used in lieu of the available restricted funds, an appropriate adjustment will be made to the restricted funds' balances to reimburse the departments for the unrestricted funds spent earlier.

PROCESS

In order to ensure proper accounting, the following actions need to be taken:

1. Review all operating gift and endowment funds to determine whether the restrictions have been met through normal university business using unrestricted funds. Proper documentation of expenditures will be required.
2. Upon completion of this review, transfer unrestricted balances as appropriate to School-specific fund to be maintained by department. (01xx0x).

3. All old dormant gift funds will be closed. Any new restricted gift funds opened will be classified as temporarily restricted (i.e. manually reclassified) and will only reclass cash as the funds are expended. Expenditures related to the purpose of these new restricted gift funds should be charged directly to the gift fund as incurred.
4. All new gifts received which are entirely unrestricted to a school/department will be deposited as unrestricted to 63xxx gift funds. It is expected that expenses will be charged directly to these gift funds as incurred in the same year as the gifts are received; any cash remaining after one year will be automatically transferred into the department's school specific fund (01xx05) using 4829 object code.
5. All endowment income which is entirely unrestricted to a school/department will be transferred automatically to the school/department's designated operating fund (000000 or 01xx0x) using 4709 object code. No direct expenses will be charged to these endowment funds.