

2228: ESTABLISHING & CLOSING GIFT, ENDOWMENTS & AGENCY FUNDS

Effective: March, 2007
Revised: March, 2011
Last Reviewed: April, 2016
Resp. Office: Treasurer
Approval: Treasurer

POLICY

The Office of Trust Administration administers Penn's endowments and other restricted gifts to ensure their use is compliant with donor wishes or relevant laws. It also has responsibility for monitoring and administering Penn's internal and external trusts and annuities.

Trust Administration also ensures that the University follows the donor's wishes in the use of Endowments and Restricted Gifts and maintains all original documents for these restricted funds. All questions regarding the use of these funds should be directed to this office for clarification.

PROCEDURE

Establishing New Funds:

Trust Administration is responsible for the creation of new funds which meet donor requests for operating gifts, capital gifts, and endowments, and for the creation of new agency funds to meet external organization requests. Below is a description of each of these types of funds.

Endowment Funds:

Funds established to provide support for the maintenance of the organization. There are different types of endowment funds. Permanent endowments are generally established with donor-restricted gifts and bequests to provide a permanent source of income. A term endowment provides support for a specific time period. A fund functioning as endowment or quasi-endowment is a fund that generates income but is not donor restricted.

Operating Gift Funds:

Established to hold gifts received from a donor or donors which are restricted for a specific operating purpose.

Capital Funds:

Established to hold gifts received from a donor or donors which are restricted to a capital project, such as building renovation or construction.

Agency Funds:

Resources held by the University as an agent for a third party. The University has little or no discretion over the use of these resources.

To request establishment of a new endowment, gift, or agency fund, a new fund request form must be completed and signed by the school senior business administrator. Appropriate documentation must accompany the request. All original documentation including fund agreements should be sent to Trust Administration for safekeeping. For capital gift funds, a project related program code is also required to establish the fund.

Request for new grant funds should be referred to the Office of Research Services.

Closing Endowment, Gift, and Agency Funds

Requests to close endowment, gift, and agency funds should be sent to Trust Administration. The following criteria should be met before the request is made:

1. There should be no additional gifts expected for an endowment or gift fund.
2. There should be no additional revenue expected for an agency fund.
3. There should be no additional expenses expected. All automatic feeder expenses should be moved to a different account or discontinued. (For example, Telecommunications, Archives, etc. should be contacted to change any ongoing feeder charges to a different account. All mail cards which map to this fund should be destroyed.)
4. The derived cash balance at each CNAC-Org-Fund combination should be \$0.00.
5. All 26-digit account combinations should have an encumbrance balance of \$0.00.
6. All 26-digit account combinations with an object code between 1111 and 2999 should have a balance of \$0.00. (Please note: For agency funds, if there is a balance in object code 2800 but the balance is offset by the sum of the FYTD balances in object codes 4000-5999, the fund may be requested to be closed.)

Recording Revenue in Agency Funds

Agency funds should never receive gifts nor internal transfers. Agency fund revenue is deposited through BEN Deposits using a revenue object code beginning with 43xx or 49xx. The default object code for agency fund revenue is object code 4920.

In general, no agency fund deposits should be to an object code beginning with 5xxx. In the unusual instance where a current expense is being reimbursed, the object code used for the initial expense should be used for the deposit.

Object code 5500 should not be used for agency fund deposits because this object code should be used only as the credit side of an *internal* expense charge. (For example, if Dept. A provides a service to Dept. B, the journal is a debit to Dept. B's University account using an internal expense object code such as 5221, 5227, 5340, etc. and a credit to Dept. A's University account using object code 5500.) Agency funds should always use *external* expense object codes.

Since agency funds are *external* to the University, neither internal transfers (object codes 482x) nor gift object codes should be used with agency funds.

Note: The 26 digit account for agency funds must follow pattern of:

99x-99XX-x-9xxxxx-xxxx-xxxx-xxxx