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## SECTION 1: POLICY OVERVIEW

Restricted Operating Funds (ROF) were formerly known as “2-Book funds” because the entire general ledger account group begins with the number two (2). These funds include both restricted income and related, restricted spending. The purpose of these funds is to keep restricted revenue segregated from unrestricted, budgeted revenue, to ensure the restrictions are honored and trackable for potential donor reporting.

This policy describes the types of funds included in this segment of the General Ledger (GL); possible restrictions on the funds; usage of the funds; and required recordkeeping, segregation, and reporting duties for the funds.

## SECTION 2: FUND CREATION

- A. Upon receipt of form 405.001F1: Gift Restriction Summary & Request for Creation of Funds or form 405.001F2: Request for Internally Restricted Operating Fund, a Financial Services Accountant will create an ROF.
- B. Funds will be numbered in the General Ledger according to the established format template.
- C. Once funds are created, the Financial Services Accountant will notify all personnel listed on the requisition form of the new accounts.

## SECTION 3: FUND COMPOSITION

- A. The second and third components of each fund identify the funds’ restrictions (e.g., scholarship, program, chair, etc.) and will be numbered according to the University’s established formatting template (see Exhibit A).
- B. The fourth component will be numbered in a series based on the University’s established formatting template (see Exhibit A) and the division/department to which the funds are most closely associated.
- C. A typical set of funds will have established at their inception a minimum of the following fifth components:
  1. Restricted Operating Fund – Scholarship
    - a. 2-xx-xxx-xxxxx-60000 Income
    - b. 2-xx-xxx-xxxxx-30100 Expenses
    - c. 2-xx-xxx-xxxxx-69900 Transfer-in account for annual endowment draw
    - d. 2-xx-xxx-xxxxx-95000 Temp Restricted Fund Balance
  2. Restricted Operating Fund – Non-scholarship
    - a. 2-xx-xxx-xxxxx-60000 Income
    - b. 2-xx-xxx-xxxxx-23000 Supplies
    - c. 2-xx-xxx-xxxxx-25100 Equipment – Computer Related
    - d. 2-xx-xxx-xxxxx-25200 Equipment – Non-computer
    - e. 2-xx-xxx-xxxxx-25700 Meals & Entertainment
    - f. 2-xx-xxx-xxxxx-25900 Miscellaneous
    - g. 2-xx-xxx-xxxxx-26100 Professional Development
    - h. 2-xx-xxx-xxxxx-27200 Travel
    - i. 2-xx-xxx-xxxxx-27500 Special Project
    - j. 2-xx-xxx-xxxxx-27600 Special Project
    - k. 2-xx-xxx-xxxxx-69900 Transfer-in account for annual endowment draw

- I. 2-xx-xxx-xxxxx-95000 Temp Restricted Fund Balance
3. Additional fifth components may be added to provide greater specificity and detail via request to a Financial Services Accountant.

## **SECTION 4: FUND MANAGEMENT & OVERSIGHT**

- A. Financial Services will provide annually to all supervising deans and vice presidents/executive directors a list of ROFs under their supervision and the available balance in each fund.
- B. As part of the annual budgeting process, Financial Services will ensure that the Responsible Individuals (RIs) for all ROFs meet with their supervising deans and/or vice presidents/executive directors to complete form 405.001F3: Annual Proposal for Spending of Restricted Operating Funds.
- C. Financial Services staff will monitor all ROFs to ensure that spending remains within acceptable limits and meets the restrictions of the ROFs.
  1. Financial Services staff will coordinate with the RIs for each ROF to resolve any overspending prior to the close of each fiscal year.
- D. All forms related to ROFs will be stored on the designated network drive.

## **SECTION 5: ENDOWMENT DRAW CALCULATION AND DISTRIBUTION TO ROFs**

- A. Based on the criteria specified in policy 400.200P: Investment Policy Statement, the University's third-party Software as a Service (SaaS) platform calculates annually the amount of funds the University is allowed to draw from the endowment.
- B. Within the first quarter of each fiscal year, the amount of funds allocated for externally restricted uses is transferred to the corresponding restricted operating funds.
  1. Distributions from endowed funds will be used to relieve a department's budget to the extent that doing so is appropriate for that endowment's restrictions.
    - a. Generally, distributions from endowed funds that exceed a department's regularly-budgeted expenses will allow that department to increase its budget until the budgeted expenses reach the level of the distributions from endowed funds.
    - b. Should an endowment fund have a restriction that is so specific that it must be used as a budget-enhancing fund, the distribution from endowed funds will remain in the appropriate Restricted Operating Fund rather than be transferred into the general operating budget.

## **SECTION 6: RECONCILIATION AND CLOSURE OF ACCOUNTS**

- A. Study Abroad
  1. Upon the completion of a Study Abroad trip and payment of all related expenses, the RI for the trip fund will coordinate with a Financial Services Accountant to settle any fund surplus or deficit.
    - a. Any Study Abroad trip surplus must be refunded to the applicable students.
    - b. Any Study Abroad trip deficit must be resolved via funding from the account designated on form 405.001F3: Annual Proposal for Spending of Restricted Operating Funds.
  2. The Financial Services Accountant must ensure that all Study Abroad trip funds have a \$0 balance once their reconciliation is complete.
- B. Grants
  1. Upon the completion of a grant and the payment of all related expenses, the RI for the grant fund will coordinate with the Director of Business Services to settle any fund surplus or deficit.

- a. Any grant fund surplus must be handled according to the requirements of the grant.
  - b. Any grant fund deficit must be resolved via funding from the account designated on form 405.001F3: Spending of Restricted Operating Funds.
  2. The Financial Services accountant must ensure that all grant funds have a \$0 balance once their reconciliation is complete.
- C. Minor Construction in Progress (CIP)
1. Minor construction is defined as having a value of less than \$1,000,000.
  2. Minor CIP funds will remain open several months beyond the initial completion of the project to allow for later additions, follow-up items.
  3. CIP funds will be closed and the project moved to the University's main operating fund once the project manager and the Chief Financial Officer are in agreement that all required costs have been paid and all revenue for the project is received or accounted for.
    - a. Any excess of project cost over revenue must be included in all reports to the Board of Trustees Financial Affairs Committee and Development Committee. The Committees must decide how overages will be resolved.
    - b. Any surplus revenue over project cost will be moved to a quasi-endowed fund in the Endowment Fund to be used for maintenance related to the specific project.
  4. Financial Services will be responsible for creating journal entries to move the asset/expense, the revenue, and pledges to the operating fund.
  5. Financial Services will be responsible for ensuring that all project funds have a \$0 balance at the end of the fiscal year in which the project is completed.