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## SECTION 1: POLICY OVERVIEW

The Construction-in-Progress (CIP) Fund , formerly known as the “7-Book fund” because its general ledger accounts begin with the number seven (7), accounts for major capital projects. To the fullest extent possible, these projects are funded through means such as student fees, fundraising, and/or pledges, and without incurring additional University debt.

The purpose of this fund is to segregate the cash, pledges, construction-in-progress, and net assets from the University’s main operating funds into the CIP Fund for two reasons:

- To track revenue and pledges received for the project as compared with construction costs spent and committed for the project; and
- To keep excess cash earmarked for construction projects segregated from operating cash.

## SECTION 2: CREATION OF AND ACCESS TO CIP FUNDS

A. Upon approval of a major capital project by the University’s Senior Leadership Team and Board of Trustees (see policy 400.105P: Construction, Renovation & Repairs), the University President or the vice president/executive director responsible for the project will request the creation of CIP funds.

B. A Financial Services Accountant will create the following funds as shown below:

### 1. Revenue Fund

- a. Revenue funds will have a first component of 7 and a second component of 03.
- b. Revenue accounts will have established at their inception a minimum of the following fifth components:
  - 1) 60000 Income
  - 2) 79900 Transfers
  - 3) 95000 Fund Balance
  - 4) If income to a fund will be donated in the form of securities, University Advancement must notify Financial Services so that a separate account may be included to account for transaction fees related to liquidation of the securities.
  - 5) Additional fifth components should be requested of the Financial Services Accountant as needed to provide greater specificity or allowance of accounting tasks.

### 2. CIP Pledge Fund

- a. Pledge accounts will have a first component of 7 and a second component of 21.
- b. Pledge accounts will have a fifth component of 00000.
- c. Project pledge revenue is one of the few instances in which the University books pledge revenue before it is received.

### 3. Expense Fund

- a. Expense accounts will have a first component of 7 and a second component of 30.
- b. Expense accounts will have established at their inception a minimum of the following fifth components:
  - 1) 45100 Construction Costs
  - 2) 45200 Architectural/Consultant Fees
  - 3) 45500 Permits & Fees
  - 4) 55000 Furniture, Fixtures, Equipment
  - 5) Additional fifth components should be added as needed to provide greater specificity.

C. After all funds are created, the Financial Services Accountant will:

1. Transmit all new fund accounts to the following personnel:
    - a. Chief Financial Officer
    - b. Chief Operating Officer or Vice President for Operations
    - c. Manager for Gift Stewardship
    - d. Financial Services Accountant responsible for gift reconciliations and postings
    - e. Purchasing Module Administrator
    - f. Credit Card Program Administrator
  2. Grant budget access to:
    - a. Chief Operating Officer or Vice President for Operations
    - b. The Director of Facilities Services
    - c. Other personnel as authorized by the Chief Operating Officer, Vice President for Operations, and/or Director of Facilities Services
- D. The Financial Services Accountant responsible for gift reconciliations and postings will add the funds to University Advancement's fundraising software.

### **SECTION 3: RECONCILIATION**

- A. The Manager for Gift Stewardship will keep a list of all pledges and payment arrangements for a project. This list will be transmitted to Financial Services on a monthly basis.
- B. Financial Services will reconcile the pledge list to the General Ledger.
  1. Any discrepancies between the General Ledger and University Advancement's pledge list must be resolved before the next month's reconciliation.

### **SECTION 4: REPORTING**

- A. The Vice President for Operations or Chief Operations Officer, the Vice President for University Advancement, and the Chief Financial Officer will report quarterly on all active projects to the Board of Trustees Financial Affairs Committee and Advancement Committee.
  1. Reports will include:
    - a. The original project timeline versus a currently-projected project timeline, with explanations for any variance between the two
    - b. The original construction budget versus actual spending to-date
    - c. Projected final project costs, with explanations for each item currently or on track to be over budget
    - d. Pledge collection progress
    - e. A cash flow projection related to pledges booked versus cash collection
- B. For the audited GAAP statements, the following items will be reported:
  1. Cash and cash equivalents
  2. Construction in progress assets
  3. Temporarily restricted net assets
  4. Net assets released from restrictions
  5. Transfers
  6. Revenues from gifts and/or grants

### **SECTION 5: PROJECT COMPLETION**

- A. CIP funds will remain open several months beyond the initial completion of the project to allow for later additions and follow-up items.
- B. 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.
  - 1. 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 jointly how overages will be resolved.
  - 2. Any surplus revenue over project cost will be moved to a separate permanently restricted endowment fund to be used for maintenance related to the specific project.
- C. Financial Services will create journal entries to move the asset/expense, the revenue, and pledges to the operating fund.
- D. Financial Services will ensure that all project funds have a \$0 balance at the end of the fiscal year in which the project is completed.