

Gift & Endowment Income Funds – Examples of Year-End Processes

Year-End Processes: Transfer of Unspent Gift/Endowment Income Balances Back to Restricted Funds for Financial Reporting

To properly classify restricted and unrestricted fund balances in UCSF's financial statements and UC's system wide financial statements, at fiscal year-end the Controller's Office will review balances remaining in unrestricted funds that include "transfer method" activity. Unspent gift and endowment income balances will be transferred to a restricted gift or endowment income fund using a central control point department ID for year-end reporting, with such transfers auto-reversing back to the unrestricted fund for the subsequent year.

Example 1: Default Spending Method-Transfers within the Same Fund between Parent/Child Projects linked with the same Parent ID

Transferring of gift revenue or endowment income on projects *within the same fund* occurs when the parent gift or endowment income project needs be further segregated for spending and reporting. Additional child projects are created *within the same fund* to track the different activities, and the common Parent ID links the related projects.

- The transfer of gift revenue from one gift project to another *within the same gift fund* would be made using transfer **Account 78085 - "Tfr – gift/gift - gift bal"**.
- The transfer of endowment income from one endowment income project to another *within the same endowment income fund* would be made using transfer **Account 78095 – "Tfr endow/endow – endowmt bal"**.
- The same transfer Account should be used on **both the debit and credit sides** of the entry.

An example of a gift transfer using the *direct charge method*:

Revenue is initially transferred to the Campus business unit from the Foundation business unit using the Gift revenue account associated with the private restricted gifts fund.* The original project (ID # 7411111) is used to track the gift. The Parent ID is set as the same ID as the original gift project. \$100,000 in revenue is recorded as follows:

Account	Fund	Project	Project Attributes			Amount
			Parent ID	Project Use	Owner ID/ Name	
43501 – Gifts-TOF-Source-Gift	7000 – Private Restricted Gifts	7311111 – Dean's Office Dentistry Gift	7311111	General	0267xxxx (Dr. Jones)	\$(100,000)

*Gifts may also be made directly to UCSF; entries to all chartfields will be the same with the exception of account which will be 43500 Private restrict gifts-Regents.

Additional projects may be needed to segregate spending, either for different PI's, or to segregate different types of activity for reporting. Under the "direct charge method" child projects are established sharing the same Parent ID as the original Parent project, and \$80,000 is transferred to two new child projects. MyReports reporting is available on the Parent ID, or by individual projects. The projects may have the same or different project use, as long as donor restrictions are met.

Revenue is transferred out of the parent project to the child project(s) sharing the same Parent ID within the Private Restricted Gifts fund using transfer accounts 78085 or 78095 for gift or endowment income, respectively, regardless of whether the revenue was received in the current or prior years:

Account	Fund	Project	Project Attributes			Amount
			Parent ID	Project Use	Owner ID/ Name	
78085 – Tfr-gift/gift- gift bal	7000 – Private Restricted Gifts	7311111 – Dean's Office Dentistry Gift	7311111	General	0267xxxx Dr. Jones	\$80,000
78085 – Tfr-gift/gift- gift bal	7000 – Private Restricted Gifts	7402111 – Gingivitis Research	7311111	PI/Owner Discretionary	0201XXXX Dr. Nesmith	(60,000)
78085 – Tfr-gift/gift- gift bal	7000 – Private Restricted Gifts	7402112 – Growth and Dvmt Labs	7311111	Programmatic Investment	Department/ Division	(20,000)

Using 78085 or 78095 to transfer revenue between projects sharing the same Parent ID will not result in revenue assessments, as revenue will be assessed when the original revenue is received either directly by UCSF or upon transfer from UCSF Foundation.

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Example 2: Exceptional Spending-Transfers Restricted Gift and Endowment Income Fund/Projects to Unrestricted Fund/Projects for Consolidated Spending

Under the “transfer method”, transfers to consolidate restricted gift/endowment income into existing unrestricted funds should be made using transfer Account **78080** for gifts - “**Tfr-gift/curr - gift bal**” and transfer Account **78090** for endowment income - “**Tfr-endow/curr – endowmt inc bal**”. The same transfer account should be used on both the debit and credit sides of the entry in order to facilitate clear reporting on the amount of gift or endowment balance that has been transferred and not yet spent at year-end.

An example of a gift/endowment income transfer using the “transfer method”:

Dr. Barber’s Stem Cell Research, is funded from the following projects. While feasible to direct charge expenses to all three projects, it may not be practical:

	Fund	Project	Beginning Net Position	Revenue	Expense	Ending Net Position
Project 1	7000 – Private Restricted Gifts	7411111 – Growth and Dvmt Labs	(500,000)	(100,000)	-	(600,000)
Project 2	7700 – Endowment Income	7700094 – Endow Chair Growth and Dvmt Labs	(200,000)	(500,000)	-	(700,000)
Project 3	5019 – Sales & Service Other	5551012 – Dr. Barber Growth and Dvmt Labs	<u>(250,000)</u>	<u>(100,000)</u>	<u>250,000</u>	<u>(100,000)</u>
Total			<u>\$ (950,000)</u>	<u>\$ (700,000)</u>	<u>\$ 250,000</u>	<u>\$(1,400,000)</u>

Dr. Barber is planning to manage all expenditures out of the Unrestricted Sales & Service Other Fund in the Dr. Barber Growth and Dvmt Labs (Project 5551012, line 3). The funding of the activity will be from all three Funds above (lines 1, 2 and 3).

After verifying that all three fund/project combinations can be used for Stem Cell Research, and that the expenditures that will be incurred in the Sales and Service fund/project (line 3) are in accordance with the donor restrictions and intent of the gift and endowment income funds/projects 7411111 and 7700094 (lines 1 and 2), a transfer can be made to move the balance in the Private restricted gifts fund, Project 7411111 and the Endowment income funds, Project 7700094 to the Sales and Service Other fund, Project 5551012.

The following journal entry would be processed using the transfer account 78080 and 78090. Although balances in the gift/endowment income fund/project are comprised of current year revenue and an accumulation of prior year net position, the transfer is made using the designated “transfer method” accounts. Also, note the transfer accounts are used on both the debit and credit side of the transaction.

#	Account	Fund	Project	Project Attributes			Amount
				Parent ID	Project Use	Owner ID/ Name	
1	78080 – Tfr-gift/curr - gift bal	7000 – Private Restricted Gifts	7411111 – Growth and Dvmt Labs	7411111	Programmatic Investment	Department/ Division	600,000
2	78080 – Tfr-gift/curr - gift bal	5019 – Sales & Service Other	5551012 – Dr. Barber Growth and Dvmt Labs	5551012	PI/Owner Discretionary	0222XXXX Dr. Barber	(600,000)
3	78090 – Tfr- endow/curr - endowmt bal	7700 – Endowment Income	7700094 – Endow Chair Growth and Dvmt Labs	7700094	Programmatic Investment	0222XXXX Dr. Barber	700,000
4	78090 – Tfr- endow/curr - endowmt bal	5091 – Sales & Service Other	5551012 – Dr. Barber Growth and Dvmt Labs	5551012	PI/Owner Discretionary	0222XXXX Dr. Barber	(700,000)

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After the transfer, the balances in the three fund/project combinations would be as follows, and all spending on the project will be from balances that have been consolidated in the unrestricted fund:

#	Fund	Project	Beginning Net Position	Revenue	Expense	Transfers	Ending Net Position
1	7000 – Private Restricted Gifts	7411111 – Growth and Dvmt Labs	\$ (500,000)	\$ (100,000)	\$ -	\$ 600,000	\$ -
2	7700 – Endowment Income	7700094 Endow Chair Growth and Dvmt Labs	(200,000)	(500,000)	-	700,000	-
3	5019 – Sales & Service Other	5551012 – Dr. Barber Growth and Dvmt Labs	(250,000)	(100,000)	250,000	(1,300,000)	(1,400,000)
Total			\$ (950,000)	\$ (700,000)	\$ 250,000	\$ -	\$ (1,400,000)

Revenue assessments will be taken on the original revenue received directly by UCSF or upon transfer from UCSF Foundation.

External Reporting Requirement – Restricted Net Position

As outlined above, the Controller's Office will transfer any remaining unspent gift and endowment income balances back to the appropriate restricted fund to ensure proper classification of restricted and unrestricted fund balances. Such transfers will be to a central control point-specific for year-end reporting, and transfers will auto-reverse back to the unrestricted fund for the subsequent year.

Net position on a consolidated basis for UCSF is reported based on the existence or absence of donor-imposed restrictions. An external reporting requirement exists to report the unspent portion of restricted gifts and endowment income:

NET POSITION	
Invested in capital assets, net of related debt	1,517,918
Restricted:	
Nonexpendable:	
Endowment corpus	-
Trusts-annuity and life income funds	-
Expendable:	
Endowment	69,748
Quasi-endowments	-
Trusts-annuity and life income funds	-
Gifts	160,590
Loans	23,061
Capital projects	400,567
Debt service	2,874
Appropriations	910
Unrestricted	1,426,166
Total net position	\$ 3,601,834

An example of the analysis and journal entry follows:

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The following School of Dentistry unrestricted project has used transfer accounts associated with the gift and endowment transfer method:

5551012 – Dr. Barber Growth and Dvmt Labs		Determination for Reclassification
Revenue and other unrestricted transfers from current funds	\$ (100,000)	Revenue and transfers from outside sources or other current funds are not considered in this calculation
Total Expenses*	175,000	Used as a base for consideration, applied towards 78090 first, and 78080 second
78090 Tfr-endow/curr -endowmt bal	(200,000)	Reduces expenses first; remaining \$25K (\$175K - \$200K = \$25K) is reclassified to restricted endowment income fund
78080 Tfr-gift/curr - gift bal	(150,000)	Reduces expenses second; Entire \$150,000 is reclassified to restricted gift fund
Ending Balance	\$ (275,000)	

The journal entry for the above:

#	Account	Fund	Project	Dept ID	Function	Amount
1	78090 – Tfr-endow/curr - endowmt bal	5019 – Sales & Service Other	TBD	D_Deans Office Administration	43 – Academic Support	25,000
2	78090 – Tfr-endow/curr - endowmt bal	7700 – Endowment Income	TBD	D_Deans Office Administration	43 – Academic Support	(25,000)
3	78080 – Tfr-gift/curr - gift bal	5019 – Sales & Service Other	TBD	D_Deans Office Administration	43 – Academic Support	150,000
4	78080- Tfr-gift/curr - gift bal	7000 – Private Restricted Gifts	TBD	D_Deans Office Administration	43 – Academic Support	(150,000)

Gift and endowment income balances will be reinstated in the unrestricted fund after year end close.

Internal Transfer Reporting – Summary of Transfer Accounts Available for "Direct Charge" and "Transfer Method"

The transfer accounts discussed in this policy are noted below, and roll up on the management reporting tree:

Level A Rpt Group	Level B High Level Reports	Level C Mgmt Reports/ Planning	Level D Operational Reports	Level E Operational Reports/Planning	Level F Posting Level
Other Charges			Transfers – Other		78080 - Tfr-restr/curr- gift balance (moving gift revenue or balance from gift fund/project to current fund/project)
					78090 - Tfr-restr/curr- endowmt inc bal (moving endow revenue or balance from endow fund/project to current fund/project)
					78085 - Tfr-gift/gift- gift bal (moving gift revenue or balance to children gift projects within the same fund)
					78095 - Tfr-endow/endow-endow bal (moving endowmt revenue or balance to children endowment projects within the same fund)