

FAI Q&A Session #3

July 17, 2007

Visitors Center Multi-Purpose Room #153

Attendance: 21

TOPIC: Fund Types

Presenters from Foundations Accounting and Investments (FAI) were Mike Dickerson (513-4303) and Susan Holton (515-7375).

A. General Fund

- a. Unrestricted monies given to a foundation.
- b. Provide for **operational** needs of a foundation; can also be used for **programmatic** purposes
- c. Budgeting process – requires Foundation board approval with input from Development Officers and the Dean
- d. Balances do not automatically carry over
- e. Separate projects are set up for each revenue and expenditure line item
- f. GF projects are identified by a Class of 61 or 6190

B. Restricted Funds – Regular

- a. Restriction is based on purpose for which it can be spent
- b. No restriction on time, unless specified by the donor; can all be spent at once, or over many years
- c. There can be “unrestricted” restricted funds
- d. NO budgeting process for restricted funds, can spend full balance at any time**
- e. Balances automatically carryover from year-to-year (via 40985 FAI entry)
- f. Restricted funds can be identified by an FAI Fund Type of E0 on the Foundations Fund Report.

C. Restricted Funds – Building to Endowment (BTE)

- a. Considered a restricted fund during the “building period”
- b. Funds are building to a minimum endowment level
- c. Once minimum is reached, will become an endowment fund
- d. Distinguished from an endowment during the building phase since it is invested differently in case it doesn't reach endowment level
- e. Generally, building period is five years
- f. May not spend from a restricted BTE fund
- g. Identifiable by FAI Fund Type of G0 on the Foundations Fund Report.

D. Restricted Funds – Endowment Income

- a. Also referred to as ‘Spending Accounts’ or ‘Income Accounts’
- b. Restricted by purpose specified by endowment agreement

- c. Budget is determined by the foundation or Endowment Fund spending policy, subject to any additional donor stipulations
- d. Balances automatically carryover from year-to-year
- e. Annually, FAI notifies the Development Officers of unused spending budgets, and the Development Officers can elect to move balances to the endowment rather than carryover funds
- f. Funds held in a foundation project (Ledger 6) identified by an FAI Fund Type of F0 on the Foundations Fund Report.
- g. Funds held in the Endowment Fund (Ledger 7) begin with '76' **and** have a class of "722x". Note: there are other non-EF trust funds that begin with '76' so you must look at the class as well.

E. Endowment Funds

- a. Rules/legal issues affect endowments. For example, can't spend corpus, subject to donor restrictions concerning purpose, amounts to reinvest in principal, etc.
- b. True endowments are those created by external donors and corpus may not be invaded (spent). Quasi endowments are created internally by boards and corpus may be spent.
- c. Balances roll over from year-to-year
- d. Balances are reflected at cost and do not reflect any unrealized appreciation/depreciation.
- e. Endowments held within a foundation (Ledger 6) can be identified by an FAI Fund Type of H0 or N0 on the Foundations Fund Report.
- f. Endowments held within the University Endowment Fund (Ledger 7) begin with '774'
- g. Fundriver is a new software package that allows authorized persons to look up endowment market values and to view scanned New Fund Request forms and donor agreements. FAI hopes to roll out this new software to development offices late in the fall of 2007.

F. Other Fund Types

- a. Life income funds – Charitable remainder unitrusts (CRUT), charitable gift annuities (CGA), and other similar funds that pay named beneficiaries over their lifetimes with the residual going to the foundation or Endowment Fund for a specified purpose. These can be identified by Fund types R0-W0
- b. Agency funds – Funds not belonging to a foundation but held in trust for others. These can be identified by a Fund Type Z0.