

**Policy and Procedures
For Management of
Restricted Endowment Yield Accounts
0/4-6XXXX**

Overview

Restricted endowment funds are established by donor-restricted gifts that must be invested in perpetuity, with the annual payout (or yield) on the gift providing a permanent source of expendable funds that carries donor-imposed restrictions specifying how the payout is to be used. The restriction may be very specific (i.e. to support an annual lecture series) or general (i.e. to be used at the discretion of the department chairperson). The Brown University Corporation authorizes the annual payout for the endowment. The payout on each endowed fund is deposited in a separate account, referred to as a restricted endowment yield account.

The spendable payout (yield) is distributed to each fund once every fiscal year, typically in August. Gifts to endowment that are received by June 30th (the end of the University's fiscal year) will receive an endowment payout for spending in the following fiscal year.

Purpose of Policy

This policy sets forth the principles and procedures for managing restricted endowment yield accounts to ensure the University properly administers these funds and honors fiduciary responsibilities.

Scope of Policy

This policy applies to all units¹ that have restricted endowment yield accounts and supersedes any previous policies related to the management of these accounts.

The University has separate policies and procedures relating to the solicitation and acceptance of gifts, pledges, and bequests that are maintained by the Division of Advancement. This policy on the management of endowment yield accounts is not meant to encompass or supersede such documents.

The University reserves the right to implement more stringent requirements on certain transactions.

Intentional disregard for the University's policy and procedures on the administration of restricted endowment yield accounts may be considered grounds for disciplinary action.

Policy & Procedure Detail

Use:

Unit heads are responsible for ensuring the proper expenditure of restricted endowment yield accounts in accordance with donor-imposed restrictions and University budgetary expectations.

Each unit must understand and honor all donor restrictions whether the yield from the endowment gift is booked directly to their unit or is passed through from another unit. In addition, each unit must comply with any stewardship requirements.

The unit may not modify the donor-imposed restrictions in any way.

¹ Unit encompasses all departments, divisions, centers, institutes, programs, and initiatives at the University.

Units are responsible for the timely use of these funds. If the endowment yield cannot be expended in a timely manner or cannot be used in a manner consistent with the donor intent, the unit head should bring the issue to the attention of his or her senior officer and the University's Stewardship Office in the Division of Advancement.

The Manager of Restricted Accounts in the Controller's Office can be contacted for information related to the restrictions.

Account Structure:

Restricted endowment yield funds are accounted for in a unique account range within the University's chart of accounts. There are two accounts related to each restricted endowment yield fund. Unit heads are responsible for understanding how these accounts work.

The General Ledger account (0-6xxxx) reflects the assets, liabilities, fund balance, fund additions, fund deductions, and summarized transaction information.

- The cash balance can be obtained from the total in control code 1100 (cash)
- The Controller's Office books the annual endowment payout to fund addition control code 4680 (Endow yld dist), which increases the cash balance.
- Deposits should not be made to this account. The gift deposits are processed by Advancement to the endowment principal account, a general ledger account (0-5xxxx).
- The expenditures in the related subsidiary 4-6xxxx account are reflected in this account as a fund deduction in control code 9540 (FY Expend 4-ledger) and reduces the cash balance.

The Subsidiary Ledger account (4-6xxxx) reflects detailed expense information and any University-established budget (where applicable).

- Expenses should only be charged to the 4-6xxxx subsidiary ledger account. This account number should be used on PAFs, requisitions, check requests, interdepartmental invoices, and other disbursement documentation.

Gift Receipts:

In order to ensure that gifts are properly documented and donors receive appropriate acknowledgement, all endowment gifts must be processed by Advancement. Checks from donors should be mailed or delivered directly to the Gift Cashier at Box 1877, Brown Office Building 2nd Floor. The Gift Cashier will deposit the checks and forward all information to Advancement who will allocate the gifts to the appropriate account in the University's accounting system.

If the check is sent to a unit, it must be deposited promptly with the Gift Cashier. The Gift Cashier should be provided with the check and all related correspondence, including the envelope. If the University the account number the check should be deposited into is known, it can be indicated on the paperwork. If not, the Cashier's Office will work with Advancement to ensure it is properly accounted for.

Transactions:

All transactions against endowment yield accounts must be authorized by an individual within the unit that is familiar with the restrictions on the account and has appropriate signature authority. Each unit head is responsible for the implementation of this control within his/her area.

Endowment yield supported expenses should be charged, whenever practical, directly to the applicable account.

In instances where expenses are charged to a different account and then transferred to a restricted endowment yield account, it is the responsibility of the unit to submit an interdepartmental invoice (II) for the transfer as soon as possible, but no later than June 30th of the current fiscal year. The II must contain a clear explanation of the expenses being moved and

Clearing Deficits and/or Over Expenditures

Expenses must be transferred from the subsidiary ledger 4-6xxxx account to another account by submitting an interdepartmental invoice (II), which can be obtained from the Controller's Office Forms webpage.

It is recommended that expenses be transferred by subcode. The entry would be to charge (debit) the account the expense(s) will be moved to and credit the endowment yield subsidiary ledger 4-6xxxx account. The same subcode must be used for the debit and the credit. Transfers of wage and benefit dollars must be done on a Salary Reallocation form. If there are too many subcodes involved, the expenses can be reallocated in total using the transaction logic below:

If the expenses are going to be moved to a 2-ledger, the entry would be:

Charge 2-xxxxx-9760 Credit 4-6xxxx-9760

If the expenses are going to be moved to a 6-3xxxx restricted gift account for the same purpose or one that is for general use, the entry would be:

Charge 6-3xxxx-9760 Credit 4-6xxxx-9760

If expenses should be moved to another type of account, please contact the Controller's Office Data Control area (datacntl@brown.edu).

All deficits should be cleared in a timely manner, but no later than June 30th.

Account Maintenance:

Based on information provided by Advancement, the Controller's Office assigns restricted endowment yield account numbers. Once the account is established, the Controller's Office will send notification to the responsible person.

It is the responsibility of each unit to notify the Controller's Office Data Control area (datacntl@brown.edu) when there is a change in responsible person.