

## **Policy and Procedures for Management of**

### **Restricted Current Use Gift Accounts 0/6-3XXXX**

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#### **Overview**

A restricted current use gift is an unconditional transfer of cash (or other assets) to the University by a donor. As part of this transaction the donor does not receive something of equal value in return. The gift is received with donor-imposed restrictions that specify how the funds are to be used. The restrictions may be very specific (i.e. to support the XYZ lecture to be held in May) or general (i.e. to be used at the discretion of the department chairperson).

#### **Purpose of Policy**

This policy sets forth the principles and procedures for managing restricted current use gifts to ensure the University properly administers these funds and honors fiduciary responsibilities.

#### **Scope of Policy**

This policy applies to all units<sup>1</sup> that have restricted current use gift 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 the restricted current use gift 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 current use gift accounts may be considered grounds for disciplinary action.

#### **Policy & Procedure Detail**

##### **Use:**

Unit heads are responsible for ensuring the proper expenditure of restricted current use gifts in accordance with donor-imposed restrictions and University budgetary expectations.

Each unit must understand and honor all donor restrictions whether the 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.

Units are responsible for the timely use of these funds. If a gift 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.

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

### **Account Structure:**

Restricted current use gifts are accounted for in a unique account range within the University's chart of accounts. There are two accounts related to each gift. Unit heads are responsible for understanding how these accounts work.

The General Ledger account (0-3xxxx) reflects the assets, liabilities, fund balance, fund additions, fund deductions, and summarized transaction information related to the gift.

- The cash balance can be obtained from the total in control code 1100 (cash)
- Deposits are booked to this account as fund additions and increase the cash balance. Generally the deposits are processed by Advancement to control codes 4110 (cash gifts) or 4120 (stock gifts).
- The expenditures in the related subsidiary account, 6-3xxxx, are reflected in this account as a fund deduction in control code 9560 (FY Expend 6-ledger) and reduces the cash balance.

The Subsidiary Ledger account (6-3xxxx) reflects detailed expense information and any University-established budget (where applicable).

- Expenses should only be charged to the 6-3xxxx 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 restricted current use 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 2<sup>nd</sup> 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 a check is sent directly 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 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 restricted current use gift 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.

Gift supported expenses should be charged, whenever practical, directly to the applicable restricted gift account.

In instances where expenses are charged to a different account and then transferred to a restricted current use gift 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 30<sup>th</sup> of the current fiscal year. The II must contain a clear explanation of the expenses being moved and contain all minimum data requirements as outlined in the instructions for the II form. Each unit is responsible for maintaining the back up for the transfer with the II in their records.

It is recommended that expenses be transferred by subcode. The entry would be to charge (debit) the restricted gift subsidiary ledger 6-3xxxx account and credit the account the expense(s) were originally charged to. 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 specific expenses cannot be easily identified by subcode, they can be reallocated in total using the transaction logic below. It is the unit's responsibility to ensure that these transfers are for expenses consistent with donor restrictions on the use of the restricted gift.



**Account Maintenance:**

Based on information provided by the Advancement Office, the Controller's Office assigns restricted current use gift 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](mailto:datacntl@brown.edu)) when there is a change in responsible person and when the funds are fully expended and no future funding is expected into the account so that it may be closed out. The account should have a zero cash balance before sending the closure notification.

**Distinguishing between Grants/Contracts and Gifts:**

Funds received from a sponsor or donor in response to a proposal that normally has a specific work objective, and includes any of the following features, would be considered a **grant/contract**:

- Requires that a detailed budget be followed, with deviation to be approved by the sponsor;
- Requires financial and/or programmatic reports;
- Defines a period of performance during which funds must be expended and unspent funds must be returned to the sponsor at the conclusion of the project;
- Includes sponsor imposed restrictions with respect to the published rules or regulations (i.e. patents, copyrights, or rights in data).

Grants and contracts are administered through the Office of Research Administration.