



# **New Accounting Procedures**

Session

April 24, 2019

- If you have a question about a specific procedure, we will answer your question after presenting each section.
- We will also have time for Q&A at the end of this meeting.
- The procedures presented today are on the University Controller's website located in [Accounting Procedures and Supporting Documents](#).



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## Introduction to UCO Accounting Procedures Initiative

- Today, we are introducing two new accounting procedures.
- We are hosting these webinars to review the new accounting procedures with broader groups.
- These procedures were developed collaboratively with the Finance Advisory Board.
- We will continue to release procedures to ensure adherence to generally accepted accounting principles (GAAP), and to standardize accounting practices at Rutgers.
- UCO procedures already released
  - Accounting for Faculty Funds (Released July 2018)
  - Accounting for Expense Recovery (Released July 2018)
  - Accounting for Funding Transfers (Released July 2018)
  - Educational Opportunity Fund (Released March 2019)
  - Salary & Wage, Fringe and FICA/Medicare Manual Adjustments (Released April 2019)

## Today's Session Agenda

- Accounting for Internally Designated General Fund Type 165
- Accounting for Prior Year Balances



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# **Accounting for Internally Designated General Funds**

## Agenda

- Purpose of Internally Designated Funds
- Overview of Internally Designated Funds
- Characteristics of Internally Designated Funds
- Examples of Fund Type 165
- Budgeting for Fund Type 165
- Transactions Using Fund Type 165
- Financial Reporting
- Contact for Questions

## Purpose

- The purpose of Internally Designated Funds is to record greater, more accurate details about Unrestricted Net Position balances to support internal and external financial reporting.
- In addition, the proper accounting of Internally Designated Funds provides a mechanism to enhance transparency and to document for chancellors, deans, directors, chairs, and faculty the unrestricted funds committed to various purposes.



## Overview

- **Internally Designated Funds** are those balances which have been formally reserved by the institution, rather than an external donor or sponsor, for a specific purpose. Internally Designated Funds do not receive revenue directly. Rutgers will record Internally Designated Funds in two categories.
- Rutgers will record Internally Designated Funds in two categories:
  - **Fund Type 160** - Internally Designated Faculty
  - **Fund Type 165** - Internally Designated General

## Internally Designated Faculty - Fund Type 160

- This fund type is used to record balances committed to individual faculty members to support research initiatives.
- Each Chancellor will establish criteria meeting the definition of “internally designated faculty” to manage their unit’s approval process to move unrestricted operating balances to Internally Designated Faculty - Fund Type 160.
- **All balances of and expenses against Fund Type 160 are held in Projects.**

## Internally Designated General - Fund Type 165

- This fund type is used to record balances set aside for defined and documented purposes for uses not directly tied to faculty, such as student services, athletics, finance, facilities, information technology, etc.
- Each chancellor or executive/senior vice president of each area, will establish criteria, meeting the definition of “internally designated general,” to manage their unit’s approval process to move balances to Internally Designated General - Fund Type 165.
- **All balances of Fund Type 165 are held in Projects.**

## Characteristics of Internally Designated Funds

- Defined documented purpose
- Typically spans multiple fiscal years
- Does not earn revenue directly; records a balance, not a revenue

## Examples of Fund Type 165

*Examples May Vary by Chancellor or VP Area*

- **Special Initiatives**
  - Balances set aside to support initiatives and projects that require accumulating funds over time, such as deferred maintenance, entrepreneurial initiatives, software development, etc., can be recorded in Internally Designated General Fund Type 165.
  - Balances being accumulated to support capital projects should be recorded in a designated fund and only transferred to capital/plant when the project commences and expenditures are being incurred.
- **Equipment Evergreen Funds**
  - Balances set aside in total or periodically over time as part of a formal equipment replacement program should be held in a designated fund.
- **Seed Funding**
  - Revolving funds set aside for investment in new programs and entrepreneurial initiatives with anticipated repayment or replenishment can be recorded in Internally Designated.
- **Special Purposes**
  - Balances set aside to support ongoing or one-time initiatives, such as supporting the cost of research projects for students, balances reserved to support the Educational Opportunity Fund program, emergency aid funds for students, professional development funds for faculty and staff, can be recorded in Internally Designated General.

## Budgeting for Fund Type 165

- Anticipated transfers in and out of internally designated funds should be budgeted in accordance with the [Funding Transfer Procedure](#).
- Expenditures against Internally Designated General - Fund Type 165 must be budgeted where the expenditure will take place, whether directly from Fund Type 165 or elsewhere as described below.

## Transactions Using Fund Type 165

- Balances can be transferred to Internally Designated Funds at any time during the fiscal year. However, to support accurate end of year reporting, whenever possible transfers to Internally Designated Funds should be made during the fiscal year in which the revenues were earned.
- Expenses against balances held in Fund Type 165 should be recorded in the Unit-Division-Organization- Location-Fund Type-Business Line (UDOLFB) appropriate for the expenditure. When this UDOLFB is not the same as where the designated balances are recorded, the designated balance must be moved via a **funding transfer**.
- As is the case with any transaction, transfers and expenditures of internally designated funds impact current year financial reporting, including P&L's, even if the transfer or expenditure is intended to be made against balances accumulated in prior fiscal years.

## Transactions Using Fund Type 165, continued

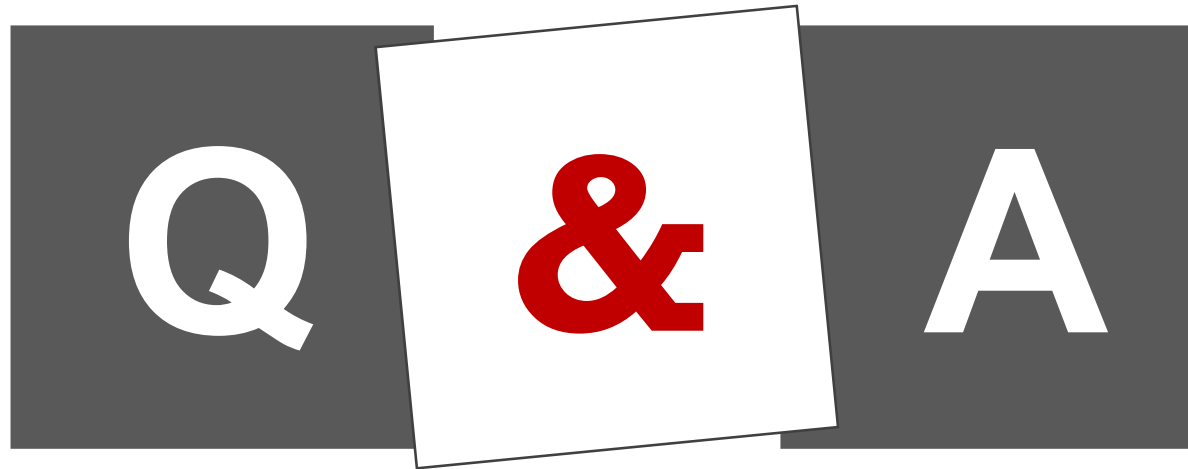
### Examples of Transactions for Internally Designated General - Fund Type 165

- Balances in Fund 165 can be spent directly from Fund 165 if appropriate for the expenditure. For example, purchasing equipment from an evergreen fund could be made directly from Fund 165.
- Balances in Fund 165 can be transferred using a funding transfer to another unrestricted operating fund such as 100 or 110. Some examples are:
  - seed funding for a new degree program should be moved to the fund type where the expense activity would occur naturally, typically fund 100;
  - special program support can be moved to the fund type where the expenses of that special program are recorded such as fund 100
- Balances in Fund 165 can be transferred to capital to support a capital project but only when the project commences and incurs expenditures.



## Financial Reporting

- Expenditures from Internally Designated Funds accumulated over multiple years appear as expenditures of the current fiscal year on the P&L.



**QUESTIONS & ANSWERS**

- Effective date for Internally Designated General Funds  
Release April 1, 2019
- Procedure and supporting documents can be accessed on the University Controller's Office website

<https://uco.rutgers.edu/accounting-procedures-and-supporting-documents>

## Who To Contact ?

Please send inquiries or questions regarding this new process to the Help Desk

**Finance Help Desk:** 848-445-2100

**Email:** [finance\\_helpcenter@finance.rutgers.edu](mailto:finance_helpcenter@finance.rutgers.edu)