1. Purpose of Internally Designated Funds

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.

2. Overview of Internally Designated Funds

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.

Fund 160 - Internally Designated Faculty

This fund type will be 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 160. All balances of and expenses
against Fund 160 will run through Projects. For procedures related to Faculty Funds see the Accounting Procedures located on University Controller’s Office Website.

Fund 165 - Internally Designated General
This fund type will be 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 Fund 165 - Internally Designated General. All balances of Fund 165 will be held in Projects.

3. Characteristics of Internally Designated Funds
Internally Designed Funds have the following characteristics:

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

4. Examples of Fund 165-Internally Designated General
The following are examples of Fund 165-Internally Designated General:

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 Fund 165-Internally Designated General. 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.

5. Budgeting for Fund 165-Internally Designated General

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

6. Transacting Fund 165-Internally Designated General

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 165 should be recorded in the Unit-Division-Organization-Location-Fund-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. For more information about funding transfers, see the Accounting Procedures and Supporting Documents located on the University Controller’s Office Website.

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.

Examples of Transactions for Fund 165-Internally Designated Funds General

- 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.

7. Financial Reporting

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

8. Contact for Questions

Please send inquiries or questions regarding the Internally Designated Funds to the Financial Management Help Desk:

1. Phone: (848) 445-2100
2. Email: finance_helpcenter@finance.rutgers.edu