



ADMINISTRATION OF RESTRICTED FUNDS

2/15/2007

As a public institution, the University is accountable for the funds it receives and the manner in which these funds are spent. Taxpayers, students, parents, legislators, sponsors, and donors all look to the University to exercise prudent fiscal management.

The careful and responsible management of something entrusted to one's care is known as “**stewardship**”. As business officers, we all play a role in stewardship of various funds. Funds can either be unrestricted or restricted. Unrestricted funds may generally be used without limitation as long as the expenditure complies with University policy and guidelines.

“**Restricted**” funds, however, require additional, special care to assure that funds are spent in accordance with requirements set by parties external to the University. Restrictions may be:

- externally imposed by creditors (such as through debt covenants), grantors, donors, or laws or regulations of other governments, or
- imposed by law through constitutional provisions or enabling legislation.

Restrictions generally describe the purpose for which funds can be spent and may be broad or narrow. A broad, but still restricted, purpose may include donations for general operating support for a specific department or unit. A more narrow restriction might be for a specific program or activity within that department.

Account executives are required to maintain permanent and complete file documentation for restricted funds within their departments or units. Expenditures against these funds must be in compliance not only with University policies and guidelines, but also with donor-imposed restrictions. Documentation should include the following, at a minimum:

- For major gifts including endowments –
 - Copies of gift agreements and related correspondence with donors
 - Written documentation of any informal discussions with the donor regarding spending plans
- For minor gifts (including activities established to account for numerous smaller gifts) –
 - Written documentation describing any spending restrictions, even if they are general in nature (e.g. “to support the operations of the XXX department”). Such documentation may include memos to file by responsible personnel.
 - Copies of a sample of any solicitation materials

Questions? Problems with incomplete or missing documentation? Contact General Accounting at 581-5610.