Transfer & Reclassification of Funds, Costs and Revenues (formerly Procedure 1305 PR.05)

Overview

This procedure is intended to provide basic information and guidance for departments, regarding the movement of funds, costs and revenues in the ordinary course of business. More detailed information for central process owners can be found at Procedure 1305 PR.06 (entitled Reclassifications and Transfer of Funds – Central Process Owners). Policies related to the cost transfers on sponsored awards may be found in Policy 1305.

I. OVERARCHING PRINCIPLES

A. Transaction descriptions should be clear, descriptive and understandable by someone unfamiliar with the transaction. It should always contain the 5 W’s – Who, What, Where, When & Why.

B. Use restricted funds first. Expenses that meet a restriction on a gift or endowment fund should be funded with the restricted income first.
   - Expenses that meet a restriction can be charged to an unrestricted account (such as GA or current use) and funded with gifts or endowments using a reclassification expenditure type. These reclassification expenditure types and the associated rules are discussed in section F below.
   - Reminder: departments are responsible for ensuring that funds are used in accordance with the donor’s intentions (i.e., the expenses meet the restriction on the gift or endowment fund). See Policy 2200.

C. Income should always be recorded directly to the appropriate account. In very limited circumstances income may be redistributed to other accounts using the same income expenditure type on both sides of the transaction (i.e., DR & CR the same expenditure type). Examples: (1) GA Allocation that must be distributed or allocated among various sections/projects, or (2) clinical income that must be distributed to other clinical accounts.
   - Movements of restricted endowment or gift funds use reclassification expenditure types, NOT transfers. See decision tree for details.
   - Unrestricted funds (such as balances from general appropriations (GENAP) or special programs (SPPRO) should not be transferred or reclassified into a gift or endowment fund/award.
   - If an endowment or gift fund has been overspent, the excess expenditures should be moved to a different award/funding source. This qualifies as an expense correction as discussed in section E below.

D. Agency accounts - All movements of funds between Yale and Agency accounts must use external income or expense expenditure types (must be reflected as arms-length transactions).

E. Revenue & Expense Corrections
   - Revenue and expense corrections are made using the original expenditure type.
   - In instances where a revenue or expense is charged to the wrong expenditure type, the correction should be made between the expenditure types (keeping the other correct PTAO components).
   - Errors should be corrected in the year they occur; corrections at the expenditure type level cannot be made across fiscal years.

Examples of Proper Corrections:
   - When moving a business meal expense (874000) to a different project or org: Credit 874000 in the PTAO originally charged and debit 874000 in the PTAO where the expense belongs.
   - Postage expense was accidentally charged as office supplies: Credit 821000 (Supplies-Office) and debit 821300 (Postage), keeping the rest of the PTAO the same.

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F. Reclassifications of Restricted Income – The table below reflects unique revenue expenditure types that should be used in place of the original when moving gift or endowment funds (within or outside of your unit). Use these expenditure types when reclassifying or allocating gift or endowment money to fund expenses that match the intended purpose of the award (for both current and prior year income). When the gift is the “funding source”, use 451106 for both the debit and credit. When the endowment is the “funding source”, use 469206 for both the debit and credit.

- These expenditure types will be used in all cases where a gift or endowment award is being used as a funding source (even if the award restriction is loose or general) and the transaction is being processed by a department other than Gift Administration, Development or Financial Reporting/General Accounting.
- DO NOT use ET 451101 to move Contribution income. This is for the Development Office only to record the initial donation to the University. Move gift contribution amounts on 451106.
- For compliance purposes, it is best practice to retain documentation that supports how transfers of this nature meet the restrictions of the donor’s intent.

<table>
<thead>
<tr>
<th>ET #</th>
<th>Expenditure Type Name</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>451106</td>
<td>Gift – Reclass/Move</td>
<td>To move a gift balance or income to fund expenses matching the intended purpose of the award. Use for both debit and credit. Indicates gift restriction is met.</td>
</tr>
<tr>
<td>469206</td>
<td>Endowment Income – Reclass/Move</td>
<td>To move endowment income or spendable balance from/within an endowment to fund expenses matching the intended purpose of the award. Use for both debit and credit. Indicates that any endowment restriction is met.</td>
</tr>
</tbody>
</table>

G. Internal Program Support (Funding) - These expenditure types are for funding to a department or program from outside of the Target Unit (see definitions at the end of this document).

- DO NOT USE to cover a deficit or subsidize a program (even if it is budgeted as a shortfall to be funded)
- DO NOT USE to reclassify or allocate restricted gift or endowment income.

<table>
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</tr>
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<tbody>
<tr>
<td>530200</td>
<td>Funding Allocation</td>
<td>For committed support of a fixed amount between schools/Target Units. Not for funding from the Provost. Use for both debit and credit.</td>
</tr>
<tr>
<td>530201</td>
<td>Provostial Funding</td>
<td>For committed funding or support of a fixed amount from the Office of the Provost. Use for both debit and credit.</td>
</tr>
</tbody>
</table>

H. INTERFUND TRANSFERS (MR3500) - Do not use to move income on restricted awards – see guidance in “C” above.

(1) Operating Transfers of Unrestricted Funds (351101 and 351108)
Expenditure types 351101 and 351108 are used on both sides of the accounting entry for all other operating transfers of unrestricted funds (including but not limited to GENAP and SPPRO). This may occur as part of the account setup/closeout process, period end accounting cleanup or in the ordinary course of business. This activity will appear “below the line” in the Statement of Activity (below operating results) and as a Transfer in many standard reports, such as the Account Holder or Fund Balance reports. Expenditure type 351101 is to be used when the transfer occurs between two or more different Target Units. Expenditure type 351108 is to be used when the transfer occurs within a given Target Unit. Target Unit is defined on the last page of this document. Examples:
- Clear surplus or deficit balances with unrestricted funds by moving balances to cover deficits
- To fund an activity that is not self-supporting
- Move year-end operating deficits that cannot be cleared from departmental funds to GA
- Move residual Clinical Drug Trial (CDT) balances to faculty accounts
- Sweep non-clinical year end surpluses to reserves (72) for departmental balances
- Sweep balances to special use (61) accounts (that are in compliance with Line of Business) for faculty controlled balances – YSM only
- Sweep a Med Services (source 51 or 53) surplus -after covering other deficits- to the Clinical Reserve (source 54) using a project with a clinical line of business code

DO NOT USE for:

- Shifting or moving expense (use the original expenditure type code)
- Moving income on gift or endowment awards (see guidance in "F" above)
- Use of (or addition to) unrestricted reserve funds that are discretionary and under the control of the Dean or Director of a School/Division (see ET 351109)
- Clearing grant and contract overdrafts. These should be cleared by moving the expenses off the grant using the individual appropriate expenditure types.

(2) **Use of Unrestricted Reserves (351109)**

Expenditure type 351109 is used on both sides of the accounting entry. This expenditure type is ONLY for the use of (or addition to) unrestricted reserve funds that are discretionary and under the control of the Dean or Director of a School/Division. In general, the Lead Administrators should be the only individuals processing transactions with this transfer code. The Office of Financial Planning & Analysis (Budget Office) maintains a record of the orgs that are permitted to debit (use) funds via this expenditure type. Permitted orgs are selected by the Lead Administrator for each School/Division.

(3) **Other Fund Balance Transfers (351xxx)**

Expenditure types in the 351xxx range are for unrestricted funds only and must be used for both sides of the entry. Never use a fund balance transfer for use in correcting an improperly applied current year transaction. Refer to the following table when creating a transfer of fund balance. The expected use of these expenditure types is limited. If you are unsure about whether to use, please contact University Finance (General Accounting & Accounting Support – finance.yale.edu).

<table>
<thead>
<tr>
<th>ET #</th>
<th>Expenditure Type Name</th>
<th>Funding Source/Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>351101</td>
<td>Operating Transfers-Unrestricted-between Target Units</td>
<td>Operating transfers of unrestricted funds between two or more Target Units. Use for both debit and credit. Not for gift/endowment funds. Questions about target unit - see your Lead Administrator.</td>
</tr>
<tr>
<td>351108</td>
<td>Operating Transfers-Unrestricted-within Target Unit</td>
<td>Operating transfers of unrestricted funds within a single Target Unit. Use for both debit and credit. Not for gift/endowment funds. Questions about target unit - see your Lead Administrator.</td>
</tr>
<tr>
<td>351109</td>
<td>Use of Unrestricted Reserves</td>
<td>To indicate the use of/add to unrestricted reserve funds that are discretionary and under the control of the Dean or Director of a School/Division. See Budget Analyst for the orgs permitted to use (determined by Lead Administrator).</td>
</tr>
<tr>
<td>351351</td>
<td>Trans To/From Non-Op Capital</td>
<td>Transfers of prior year accumulated designated - capital improvements fund balance to cover a current year activity or a prior year deficit. Use for both debit and credit. Source group DESCI. Limited to authorized Self Support Schools.</td>
</tr>
<tr>
<td>351401</td>
<td>Trans To/From Student Loans</td>
<td>Transfers between two student loans or between Operating sources (GENAP, SPPRO, SPAGR, DESOP) and Student loans (SLOAN)</td>
</tr>
</tbody>
</table>

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II. DECISION TREE AND DEFINITIONS

Original ET

Correcting an error?

YES

Use original ET

No

Sharing of expense or income (non-ISP)?

YES

Use original ET

No

Transfers

Funds provided by a gift?

YES

Contact Funds Management - they will use 351251 DR/CR

No

Reclassification

Funds provided by an endowment?

YES

451106 (DR & CR)

No

469206 (DR & CR)

Transfers

Student loans (SLOAN) or specific purpose capital improvement funds (DESCI)?

YES

SLOAN - 351401 (DR & CR)

DESCI - LIMITED USE - See document for details - 351351 (DR & CR)

No

Funding

Is this a “funding” from outside your unit - Internal Program Support?

YES

S30201 (DR & CR)

No

530200 (DR & CR)

Transfers

Use of Unrestricted Reserves (Dean/Director discretionary)?

YES

351109 (DR & CR)

NO - any other operating transfers on unrestricted fund sources

Within a Target Unit - 351108 (DR & CR)

Between Target Units - 351101 (DR & CR)

530200 (DR & CR)

Is the $ coming from Provost (other than GA Support)?

YES

530201 (DR & CR)

No
Definitions

Correcting an Error = A transaction was incorrectly charged to PTAEO #1 and needs to be moved to PTAEO #2 (or multiple PTAO).

Funding = Internal Program Support - For funding to a department or program from outside of the Unit (see definition below). This is the movement of income/revenue between various units where the funds should appear as income/revenue for the activity or program in the receiving unit. Used when the money would be moved regardless of a Unit’s budgeted results. Not to be used when moving or allocating funds within a given unit. [Does not include GA Support – this will be provided by the University General (on behalf of Provost, President, Secretary) and does not require departmental judgment.]

Original ET = The expenditure type used for the original transaction (not a transfer, reclassification or funding expenditure type). Typically a revenue or expense.

Reclassification = Represents a movement of “restricted use” endowment income or gift funds either within the award (moving project, task or org to align the funding with the org or activity that will utilize the funds) or outside of the award to indicate release from restriction to use for its designated purpose. When the gift is the “funding source”, use 451106 for both the debit and credit. When the endowment is the “funding source”, use 469206 for both the debit and credit.

Sharing of Expense/Income = An expense or income item was purposefully charged to PTAO #1, but should be shared with or moved to PTAO #2 (or multiple PTAO). The receiving PTAO combination (#2) should show the natural expense or income to appropriately view activity and track history. This is similar to an error correction, but is not always the result of an error. This applies to movements/sharing between or within units.

Transfer = Transfers do not appear as program revenue in account statements. Represents a movement of funds between unrestricted sources that does not qualify as a sharing of income/expense, reclassification or funding. This is often a movement of prior year income and can occur on various source groups, including:
- Special Programs (SPPRO) (This source group includes reserves, current use funds and med services)
- Plant Funds (EXPPC)
- Student Loans (SLOAN)
- Designated for Capital Improvements (DESCI)
- Also used to move operating funds between activities or orgs due to departmental reorganization.
- Not for use with gift (EXPOP) or endowment (ENDOW) funds.

Target Unit = Due to the size and scope of the University’s organizational hierarchy, the definition of Target Unit varies. For the majority of professional schools and administrative units, the Target Unit is consistent with Division. If you are uncertain about the boundaries of your Target Unit, please contact your Lead Administrator or University Budget Office Analyst.